COUNTDOWN TO EDINBURGH

Why subsidiarity needs a clearer definition Page 17

Why any EC growth package should include tax cuts Page 16

South Korea *The slow transition towards democracy* Page 16

American Express *The Robinson years* Page 19

Survey *Israel* Pages 9-12

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper MONDAY DECEMBER 7 1992 D8523A

Russian PM may be voted out in anti-Yeltsin move

Boris Yeltsin's parliamentary opponents, who failed at the weekend to deprive the Russian president of his power to form governments, are likely to return to the offensive today by refusing to endorse Yegor Gaidar as prime minister.

Members of the Congress of People's Deputies hope to put a stop to economic policies they describe as "contrary to the interests of Russian citizens" by removing Mr Gaidar. **Page 18; UN gloomy on ex-Soviet states' economic hopes, Page 2; Congress converts no-one, Page 3**

Generali: In a surprise move one of the Italian insurer's three managing directors has resigned, triggering speculation about differences of opinion among the top management. **Page 21**

Peace move: Palestinian leaders yesterday gave their delegation the go-ahead to attend the latest round of Middle East peace talks in Washington today after their call for a boycott was brushed aside by Syria, Jordan and Lebanon. **Page 4**

Bentsen likely to head economic team

US President-elect Bill Clinton is expected to announce the first appointments to his administration this week, beginning with an economic team headed by Senator Lloyd Bentsen of Texas (left). Mr Bentsen, chairman of the Senate finance committee, is thought to be all but certain to be named as Treasury secretary. **Page 18; Protest over Clinton files, Page 6**

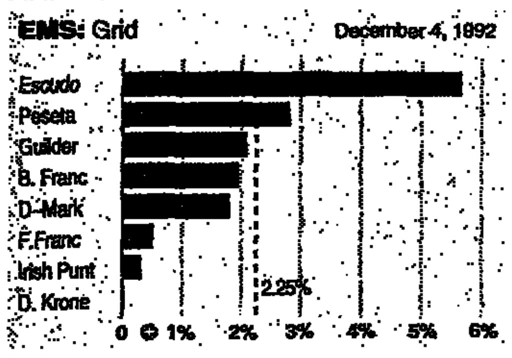
Poll probe: South Korea's government is investigating alleged electoral malpractices by Hyundai, the industrial conglomerate, as the presidential bid by its founder, Chung Ju-yung, appeared to be rapidly gaining strength less than two weeks before the elections. **Page 4**

Forte: The UK hotel and restaurant group is this week expected to move closer to its aim of becoming more internationally-based with the acquisition of a chain of French motorway restaurants and the conclusion of an agreement to run 18 hotels in Italy. **Page 19**

Barclays: The UK bank this week becomes the first European bank to provide companies with a new form of short-term financing which allows them to build up their order books without borrowing directly from banks. **Page 19**

China concern: China's unbending attitude toward Hong Kong is causing increasing concern among western diplomats and some mainland Chinese officials in the colony, who are worried about the consequences for Beijing's relations with the US and Taiwan. **Page 4**

European Monetary System: A series of statements from Paris and Bonn, defending the parity of the franc and D-Mark within the EMS, helped to ease tension in a fraught system by the end of last week. The statements were sparked by speculation about a devaluation of the franc, as the currency languished dangerously near the floor of the ERM grid. A concerted effort to quash the rumours, including intervention from both countries, helped to bolster the franc. Many of the ERM currencies were also helped by the gloomy economic statistics out of Germany, which hit the D-Mark towards the end of the week.



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Club Méditerranée, one of the largest French leisure groups, still best known for its holiday villages, returned to profit for last year following a recovery in its airline business. **Page 21**

30 die in Afghanistan: Peace efforts began in Kabul yesterday as doctors reported at least 30 people dead and hundreds wounded in two days of fighting between two groups in Afghanistan's interim government.

Anti-racist rally: More 300,000 Germans protested in Munich against racist attacks on foreigners. Bild am Sonntag newspaper said two US banks had cancelled east German investment plans because of the violence against foreigners.

Dow Chemical, the second biggest US chemicals group, which suffered a 35 per cent decline in third quarter net income to $145m, has unveiled a reorganisation aimed at improving international competitiveness. **Page 21**

Heated argument: *Italy's fledgling privatisation* programme been hit by an unexpected spat over a state-owned potato crisp marker. **Page 19**

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L8000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Referendum will delay EC-Efta treaty ■ Issue splits French and German speakers

Swiss reject closer European ties

By Ian Rodger in Zurich

SWITZERLAND yesterday said "No" to closer European integration, causing a domestic political crisis and further problems for the European Community. In a national referendum on joining the European Economic Area, 50.3 per cent of voters rejected the government proposal.

Under Swiss law, a majority of of the 23 cantons is also required. A decisive 16, including industrial and financial cantons such as Zurich and Zug, rejected a move towards closer European integration.

The rejection of the EEA treaty, which would link the seven countries of the European Free Trade Association and the 12 European Community countries in an enlarged common market, may also hurt the prospects for economic recovery in other Efta countries.

The planned introduction of the EEA on January 1 will now have to be delayed for at least six months while these countries renegotiate the details of EEA entry.

European governments registered disappointment at the Swiss vote, but expressed determination to start the EEA without Switzerland. In Brussels, Mr Frans Andriessen, the EC external affairs commissioner, said Switzerland had chosen the path of isolation.

HOW THEY VOTED

	YES	NO
Cantons	7	16
Popular vote (%)	49.7	50.3

Mr Jacques Delors, the Commission president, said there would now be talks to change the treaty. He confirmed that the vote added up to a rejection not only of the EEA but also of the EC, which the Berne government had applied to join.

Among Switzerland's partners in Efta, Finland's foreign trade minister Mr Pertti Salolainen said on Sunday he was disappointed by the Swiss rejection of the EEA and that the implementation of the agreement would now be delayed. "This means difficulties . . . because we cannot start the agreement at the same time as the internal market is realised in the EC." Mr Salolainen said.

Mr Bjoern Tore Godal, the Norwegian trade minister, said the other 18 countries planning to take part in the EEA would have to negotiate technical changes, but there would be "no change in the agreement's substance."

Mr Ulf Dinkenspiel, the Swedish trade minister, said it was important to assure the financial markets that EEA delays would be limited.

In Switzerland, there was also concern yesterday that the vote could prolong Switzerland's recession and could put pressure on the Swiss franc and Swiss shares in financial markets.

The political crisis arises because of the clear split in the voting between the country's majority German speaking community, which voted heavily against the treaty, and the minority French speaking community, which voted equally decisively for it.

The Swiss have until now been successful in protecting minorities, but the outcome of this vote could inflame passions on both sides of the country's linguistic divide. Both were clearly determined to give no quarter to the other. There were record turnouts in many cantons, and every German speaking canton, except Basle, rejected the EEA.

The linguisitic division in the voting showed up even in the cantons which have both French and German speaking communities. In the cantons of Fribourg, Valais and Bern, the minority communities voted on linguistic lines.

Mr René Felber, the Swiss president, said the clear rift between

Continued on Page 18
Swiss step back, Page 2
Editorial comment, Page 16

India faces crisis as militants demolish mosque

By Shiraz Sidhva in New Delhi and Stefan Wagstyl in Ayodhya

INDIA faced a major political and constitutional crisis last night after Hindu militants stormed and demolished an ancient mosque in Ayodhya, prompting widespread fears of communal violence across the country.

Mr P.V. Narasimha Rao, the prime minister, appealed for calm, as regulatory police orders were imposed and the army alerted in many Indian states. Addressing the nation on television, Mr Rao said his government would go to any extent to promote secularism and appealed to every citizen to co-operate.

Tension escalated in several communally-sensitive states as news spread that the disputed mosque had been demolished by hordes of Hindu militants who had converged on Ayodhya over the last week to protest against the government's failure to resolve the issue.

Some 200 para-military police were inside the barricades at the time they were stormed. But within minutes they had retreated to a nearby building and played no further part as around 200,000 Hindus stormed the barricades and clambered atop the mosque's three dilapidated domes.

Dressed in saffron robes and chanting religious slogans, the militants defied court orders and disobeyed the same Hindu political leaders who had used the temple issue to muster support for a Hindu nation.

Within three hours all three domes had been reduced to rubble, which was carried away as souvenirs by a jubilant crowd that had accomplished what the courts and successive governments had been trying to prevent. The few hundred paramilitary police on guard within the mosque did little to hide their sympathy for the militants.

The 16th century Babri mosque which was built on a temple site claimed by Hindus to be the birthplace of the god Ram, has come to symbolise India as a secular state, guaranteed by the constitution. The right-wing Hindu Bharatiya Janata Party has, over the last three years, become the largest opposition party by politicising a dispute that dates back to independence.

Government direct rule was imposed in Uttar Pradesh, India's largest and most politically crucial state where Ayodhya is located. Mr Kalyan Singh, the chief minister, who wrested power in an election 18 months ago on a promise to build a Hindu temple on the site of the mosque, resigned late last night. Hours later his government, supported by the BJP, was dismissed

Continued on Page 18

Disputed ground: Hindu militants demolish an ancient mosque to make way for a Hindu temple in the northern town of Ayodhya

Chief of American Express to resign

By Alan Friedman in New York

MR James Robinson, embattled chairman and chief executive of American Express, the large US travel and financial services group, yesterday said he would resign as chief executive next year, as soon as a successor had been chosen.

Mr Robinson, denied that he was being forced out because of losses at the company's credit card business, reduced profits and pressure on its stock price.

He claimed he had not wished to serve more than 15 years in the job. However he agreed with some criticisms of his management by Wall Street analysts.

Mr Robinson made the announcement after Fortune magazine issued a press release foreshadowing a story which claimed the resignation had been dictated by the American Express board "in a quiet coup" that began last September.

Members of the American Express board, which includes Mr Henry Kissinger, the former Secretary of State, closed ranks immediately after the Fortune story was announced.

Mr Rawleigh Warner, former chairman of Mobil, yesterday denied reports he had led any boardroom coup. Mr Frank Popoff, chief executive of Dow Chemical, said that to characterise Mr Robinson's departure as a coup was "totally inaccurate."

Mr Robinson said he told the board of his plans for succession last September, the day before a board meeting. "I said I did not want to stay on past the age of 60 and that it was time to develop the succession process. We had a good, long and rigorous discussion about succession at the board meeting the next day."

The 57-year-old Mr Robinson, who is heading the search committee, said that he would probably leave the chief executive's post at age 58, during 1993.

Observer, Page 17
Corporate titan, Page 19

UK proposals aim to break EC deadlock

By Lionel Barber in Brussels and Ralph Atkins in London

BRITAIN is preparing new proposals aimed to break the deadlock on the European Community budget which hangs over the EC summit in Edinburgh this week.

Mr John Major, UK prime minister, is hoping that a more generous approach will win the support of Spain, which is threatening to block progress on the budgetin an attempt to secure more "cohesion" funds for poorer EC members including Greece, Ireland, and Portugal.

Spain's tough tactics are being compared in London with the pursuit of a budget rebate in the early 1980s by Mrs Margaret Thatcher, the former British prime minister. UK officials are guardedly optimistic that a deal can be struck, probably by using the structural funds budget, the contingency fund or both.

Yesterday, Sir Leon Brittan, the European Competition Commissioner, said on BBC television that a deal on future financing could be reached if Britain kept its rebate but agreed to increase its proposal for the EC budget "by a small amount". He also said an agreement by Britain that the new European central bank should be based in Bonn would help to secure "Britain's objectives in all other respects".

Another problem is how to meet Danish demands for exemptions from parts of the Maastricht treaty, including an opt-out from a single European currency.

EDINBURGH SUMMIT

Page 2

■ History offers bad omen

Page 17

■ Twelve men in search of a common meaning

■ Samuel Brittan ......Page 16
■ Observer ....Page 17

a putative European army, and European citizenship as defined in the treaty. EC foreign ministers meet in Brussels tomorrow to discuss a UK paper although no agreement is expected.

Without a deal on the Danish question, British officials fear relations between EC leaders could be damaged so badly that the summit could not be salvaged. Conversely, a Danish solution would increase the chances of success on other pressing issues, notably future financing for the EC and subsidiarity.

Mr Tristan Garel-Jones, a UK foreign office minister, appeared pessimistic about the task at Edinburgh – perhaps deliberately so as to lower expectations.

On London Weekend Television, he said EC members were "a long way apart" on the question of future financing, while finding agreement on subsidiarity and enlargement would be a "very difficult exercise indeed".

A British paper on the Danish issue has been criticised by Danish opposition parties, as well as five Christian Democratic leaders in Europe, including Chancellor Helmut Kohl of Germany. They met last Friday in Brussels and called for revisions in the text. These difficulties are viewed in London as inevitable but not insuperable.

Britain, which chairs the rotating EC presidency, has worked closely with the European Council secretariat on the proposed text. It is described as an international agreement binding by law which falls short of re-opening the Maastricht treaty or requiring re-ratification by member states.

An EC ambassador described the document as "tougher than expected"; other diplomats gave it a cautious welcome because it dampened suspicions that the UK intended to take Denmark's side.

CONTENTS

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Swiss step back from EC membership

By David Marsh

SWITZERLAND'S rejection yesterday of a free trade area linking Alpine and Nordic countries to the European Community means one small, wealthy nation has virtually ruled itself out as a candidate for EC membership.

While Swiss diplomats voiced their dismay with the vote, other members of the European Free Trade Association such as Sweden, Norway and Austria remained confident that the European Economic Area would take effect next year as planned.

However, the date for creation of an EEA, originally scheduled for January 1 to coincide with the single European market, will be delayed, *probably until the second half* of 1993.

The British government, currently the EC president, put a brave face on the Swiss No vote. The Foreign Office stressed the benefits of the EEA, but said the outcome would be raised at the meeting of EC foreign ministers in Brussels today.

Although the vote is a setback for Community efforts at widening integration, there was some quiet relief in Brussels. Switzerland's predilection for referendums and its entrenched tradition of neutrality have long been viewed with a degree of concern in Brussels. As a result, some diplomats and officials there had expressed reservations about Switzerland's application to join the EC and had been braced for a No vote on the EEA.

The vote upsets Switzerland's application, decided in May, to become an EC member. Mr Frans Andriessen, the external affairs commissioner, said yesterday the Swiss had chosen isolation. A community official pointed out that EEA membership required countries to take on all EC legislation. "It is the best preparation for eventual EC membership," he said.

The Swiss government had been adamant the country could not be content with EEA membership as it would mean *taking on existing EC legislation* without becoming full "partners." Now the dilemma about applying for the EC seems to have been cut short.

Concerning the shorter-term question of forging an EEA without the Swiss, the 12 EC member states and other Efta countries are likely to convene a "diplomatic conference" to amend the treaty. This is a procedure set down in the event of the EEA's rejection by any of the *Nordic and Alpine* grouping.

British officials in Brussels say this conference probably cannot be convened in time to pass the revised treaty by March 1 1993, the second date provided for the EEA to start up. *This is because signatories* have to re-ratify the agreement, once elements in it specifically relating to Switzerland are taken out. Progress on passing the treaty into national law was already patchy; only a handful of EC *members have ratified it and*, Switzerland apart, Iceland and Liechtenstein among the Efta group have still not pronounced.

It was not clear yesterday whether the EC-Switzerland transit agreement – regula*ting Community freight and* lorry traffic through Swiss Alpine passes – will be a casualty of Switzerland's rejection of the EEA.

Sweden, which among other Efta countries had seen the EEA as a stepping stone *toward eventual EC membership*, said it regretted the outcome. But it voiced confidence the economic pact would go ahead.

Mr Ulf Dinkenspiel, the Swedish trade minister, acknowledged it might take about six months to make the necessary adjustments for the EEA to come into force.

But, he added, it was necessary to "avoid any uncertainties" by reassuring the financial markets and European industry that the EEA was only being delayed for a limited period.

The general view in the Nordic area was that the Swiss decision will not be a serious setback to European business. "Its economic effects will be limited," said Mr Dinkenspiel.

Mr Bjorn Tore Gordal, Norway's trade minister, gave an optimistic assessment on the delay to the agreement. He believed a revised EEA agreement could come into force within two to three months.

Under provisions for the "diplomatic conference" of nations still involved in the EEA, governments will have to adjust the size of the proposed financial fund covering the EEA to allow for Swiss withdrawal. As part of the agreement, Efta countries joining the EEA had been expected to make small contributions to EC funding for poorer European regions – an annual net *figure of no more than* Ecu145m (£117.3m) or an estimated 0.02 per cent of Efta annual income.

The Nordic countries have had no difficulty in securing support for the EEA. Only in Norway was there any sizeable opposition and this failed to mobilise a necessary one third of the votes in parliament to block its implementation.

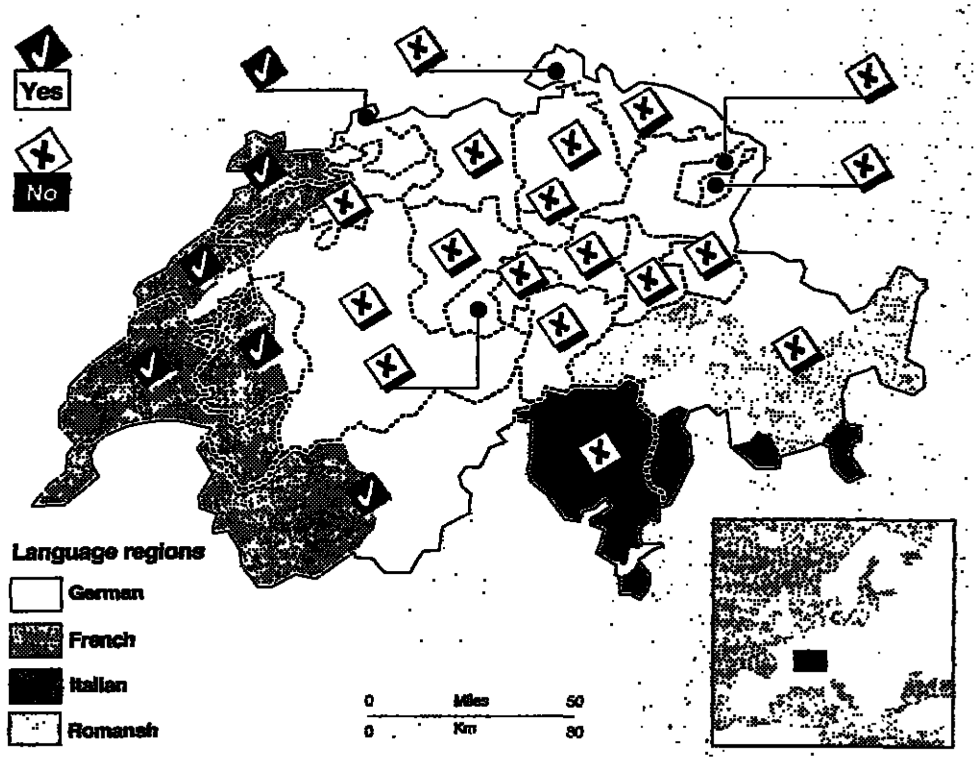
For at least the past 18 months the EEA agreement has been regarded increasingly in the Nordic region not as an end in itself but merely a step towards full EC membership for the countries of Efta.

At the moment Sweden, Norway and Finland are waiting for this week's Edinburgh summit of EC heads of government for what they hope will be endorsement for negotiations to begin early in 1993 on their EC membership applications.

Mr Carl Bildt, Swedish prime minister, is drawing comfort from last week's declaration by German Chancellor Helmut Kohl and French President François Mitterrand that Bonn and Paris would press for EC *enlargment talks to start* as soon as possible. The Nordic governments believe that neither the differences inside the EC over the Danish and British ratification of the Maastricht treaty nor the squabble over the EC budget will block the start of negotiations early in 1993.

Reporting by Lionel Barber and David Gardner in Brussels, Robert Taylor in Stockholm, Ralph Atkins in London and Eric Frey in Vienna.

Switzerland's cantons: how they voted



KEY FACTS

POPULATION:
5.8m, of whom 65 per cent are German-speaking, 18.4 per cent French-speaking and 9.8 per cent Italian-speaking.

ECONOMY:
GDP at market prices (1991) SFr332.7bn (13th in OECD), GDP per capita (1990) SFr47,977 (highest in the OECD).

TRADE
Exports total (1990) SFr88.3bn, to EC countries 57.8 per cent (1970 50.6 per cent), to Efta countries 6.6 per cent (1970 11 per cent).
Imports total (1990) SFr96.6bn, from EC countries 71.6 per cent (1970 68 per cent), from Efta countries, 7.2 per cent (1970 8.8 per cent).

EMPLOYMENT
Labour force (1990) 3.6m.
By sector; agriculture 5.5 per cent, industry 34.9 per cent, services 59.6 per cent (incl bank and insurance 5.3, hotel and restaurants 5.9, public services 3.6 per cent).
Unemployment rate (November, 1992) 3.9 per cent.

James Buxton on city's mix of pride and fear

History offers bad omen for Edinburgh summit

THE British public may not find the European Community particulary exciting and in Edinburgh emotions are usually understated. But the city is secretly agog as the European summit, being held here on Friday and Saturday, draws near.

There are dark blue European flags along the streets, and roads have been resurfaced. The serenity of the royal palace of Holyrood, where the European leaders will meet, has been defiled by the security men's Portacabins on its lawns.

When Mr John Major announced in May 1991 that the European Council of Britain's presidency would be held in Edinburgh, no one appears to have worked out where in the city it might be held.

Edinburgh Castle, an obvious first thought, has no space large enough to accommodate all and participants would have had to use a single narrow entrance – a security nightmare.

Eventually the Queen agreed (with reluctance, it is said) to allow the meeting to be held in her official residence in Edinburgh. But making Holyrood into a conference location has meant turning the 16th century palace inside out.

Eighty of the 100 third-floor bedrooms have been converted into offices, with the remainder used for storing furniture and paintings displaced to make way for desks, fax machines and photocopiers.

EC member states are probably able to break the law with impunity by substituting EC cash for their own funds for regional development, says a research paper published yesterday, writes Daniel Green.

Procedures set up to check that Community structural funds are paid on top of national payments are "inadequate", says Prof Richard Barnett, of the University of Ulster's Centre for Policy Research.

The payments are designed to ensure that regions on the EC's periphery do not lose out in the process of economic integration.

The council meeting will take place in the panelled long gallery under pictures of Scottish kings and queens. The arches around the main courtyards have been enclosed with glass to provide a warm cloister for the 800 officials.

There will be no room at Holyrood for the 2,000 people from the media covering the summit – they will be herded a mile away into a press centre set up in Meadowbank stadium. Few will be allowed into the conference centre itself.

Most Edinburgh residents will see little more than the cavalcades of cars and outriders sweeping from the hotels to Holyrood, and down to the port of Leith where the Queen is giving a banquet on the royal yacht Britannia on Friday night. Many streets are to be closed for the duration of the summit, and authorities admit traffic problems will be appalling. Many people will probably stay at home.

Mr Major's purpose in bringing the summit to Scotland (at a cost of £6.4m) was to emphasise to Scots that not everything happens in London and demonstrate the benefits of Scotland being in a union with England. But opponents are taking the opportunity to state they want Scotland either to be independent or to have its own parliament, and there is to be a demonstration on Saturday.

Edinburgh is looking to the summit with a mixture of pride and apprehension; pride because it is the capital of a separate nation which once had its own links with the continent, and because it is probably Britain's most architecturally splendid city.

But there are enormous security risks posed by a city like Edinburgh. The streets between the hotels and Holyrood are narrow, and the palace is overlooked by Arthur's Seat, a hill where the army has set up posts to protect against terrorist snipers.

The other fear for Edinburgh is that the city's name will be linked to a summit which goes down in history as a failure.

Holyrood is no stranger to political conflict of the most lethal kind. It was there that in 1566 a group of Scottish nobles stabbed to death David Rizzio, the Italian secretary of Mary Queen of Scots. That is not a good omen.

Scots tackle London on subsidiarity

By David Marsh, European Editor

THE British government is being criticised by supporters of Scottish devolution for backing subsidiarity in the European Community but failing to practise the principle in the UK.

Critics say Britain's support for this week's expected Edinburgh summit declaration on subsidiarity – making Community decisions at the lowest practicable level of government – is hypocritical. The issue focuses particularly on how Scotland will be represented in the Committee of European Regions, which is being set up under the Maastricht treaty as a consultative body of representatives from regional and local groups throughout the EC.

A discussion paper by Mr Andrew Scott and Mr David Miller from Edinburgh University's *Europa Institute charges that the* UK's unwillingness to cede power to British regions may block overall Community moves towards more regional representation.

Criticism also comes from the Scottish Council Development and Industry, which in its latest policy report, published today, asks how Scotland will be represented in Brussels.

Backed by the Labour party, local authorities in Scotland argue they are the only institutions with the democratic legitimacy to represent Scotland on the committee. However, Mr Ian Lang, secretary of state for Scotland, has not yet decided on the matter. Mr Lang's officials play down the idea that the secretary of state – or *his representatives – should sit on the* committee.

The British government says there is no urgency for a decision on the issue as the Maastricht treaty will not be ratified until summer. In contrast, German and French contingents will be made up largely of elected representatives of the Länder (states) and the conseils regionaux (regional council).

Under an amendment to the German constitution, the Länder will also be allowed representation on the Council of Ministers in areas where EC *decision-making affects the German states'* interests.

Uffe Ellemann-Jensen: warned of religious war

Danish deal on treaty at risk

By Hilary Barnes in Copenhagen

DENMARK'S national compromise on resubmitting the Maastricht treaty to a second referendum is in jeopardy because of disagreement over Britain's proposals to resolve the Danish problem.

If the national compromise disintegrates, it is widely believed the chances of persuading the electorate to approve the treaty will be seriously reduced.

Three opposition parties, which hold the key to the compromise, meet today to thrash out differences over the national stance, supported by seven of the eight parties in the Folketing (parliament).

The three are the Social Democratic Party (SDP), the Radical Liberals and the left-wing Socialist People's Party (SPP). They hold a majority in the Folketing and jointly wrote the draft of the national compromise, which was subsequently accepted as the official Danish position.

The compromise is under attack by the SPP, whose leader, Mr Holger K Nielsen, says the British proposals do not respect the electorate's rejection of the treaty last June. He says the electorate rejected European union, and therefore any agreement between Denmark and the 11 other EC countries must clearly dissociate Denmark from the aim of European union, which the British text does not do.

Mr Uffe Ellemann-Jensen, foreign minister, has warned the opposition that the SPP's demand would face rejection by other EC governments. He called on the party not to start a "religious war" over the issue of European union.

Cronyism row for Italian diplomats

By Haig Simonian in Milan

A SIMMERING row over political favouritism in Italy's diplomatic service has boiled over just as the government announced two apolitical appointees to the European Commission in an attempt to break away from party cronyism.

Mr Antonio Ruberti and Mr Raniero Vanni d'Archirafi will replace Mr Carlo Ripa di Meana and Mr Filippo Maria Pandolfi as Italian commissioners. Mr Ripa di Meana, who returned to Rome earlier this year as environment minister, was in charge of the EC's environmental activities, while Mr Pandolfi is in charge of research.

The two appointments mark a further effort by the government of Mr Giuliano Amato to break away from the stranglehold of the main political parties, which previously had almost automatic claims to jobs such as Italy's EC representation.

Although Mr Ruberti, now research minister, has been a Socialist MP since April's general elections, he has the reputation of being a non-party technocrat who was formerly a professor of engineering at Rome university.

The choice of Mr Vanni d'Archirafi, currently director of political affairs at the Foreign Ministry, is even more telling, as it is the first time a non-politician has been awarded such an important representative job.

The appointments come just as Italy's state council decided to freeze 120 promotions in the diplomatic service on the grounds of alleged political favouritism. Resentment has been growing among Italy's diplomats at the apparently headlong rise of some younger colleagues, often those who have benefited from close contacts as personal attachés to ministers.

Matters reached a head under Mr Gianni De Michelis, the former Socialist foreign minister, who is now under investigation in a political corruption scandal.

Advertising to rise 0.7%

WORLD advertising expenditures are expected to grow by 0.7 per cent in real terms in 1993, against a real decline of 0.2 per cent this year, according to a bi-annual survey by Zenith Media Worldwide, of the Saatchi and Saatchi group, writes Gary Mead, *Marketing Correspondent.*

The report expects "no return to real growth" before 1994 in the crucial US market, which accounts for 37.8 per cent of global media advertising expenditure. Europe is expected to end 1992 with a real decline of 0.4 per cent.

UN gloomy on ex-Soviet states' economic hopes

By Frances Williams in Geneva

THE sharp downturn in eastern Europe and the former Soviet Union has deepened this year and for most of the region will continue into 1993, according to the United Nations Eco*nomic Commission for Europe.*

In its Economic Bulletin for Europe published today, the ECE says output in 1992 has fallen even in those countries expecting a recovery, and "most people have had to endure further cuts in their standards of living".

Popular enthusiasm for a new order has given way "to widespread feelings of disappointment and anxiety about the future", the ECE says. Initial over-optimism about the speed at which the transition from centralised planning to a market economy could be *achieved has fuelled discontent* and provided "fertile ground for the revival of ancient hatreds".

The ECE says that, despite the generally sombre situation, "there are signs of improvement" in Poland, Hungary and the Czech and Slovak Republics. In Albania, Bulgaria and Romania, national output is expected to fall further in 1993, but more slowly than this year. However, in the former Soviet republics economic decline has accelerated in 1992 and short-term prospects "leave little room for optimism".

The ECE expects national output in eastern Europe to fall on average by about 10 per cent this year, a drop of almost a third since 1988. By the first half of 1992 industrial production had fallen by more than 40 per cent since 1988.

In the Commonwealth of Independent States economic activity fell by nearly a fifth in the first half of this year, to about 30 per cent below 1989 levels. In Russia alone, the ECE expects net national product (output excluding services) to drop by a quarter in 1992, a fall of 36 per cent since 1989.

In the three Baltic states the situation this year has been worse still. In Latvia, GDP in the first half of the year was nearly a third down on 12 months earlier, "the largest decline in any transition economy not racked by civil war or armed conflict".

Unemployment in eastern Europe has risen rapidly and will soon accelerate sharply in the former Soviet Union, the ECE predicts. "The prospect of mass unemployment in countries where the social safety net is only rudimentary must inevitably increase the danger that social and political support for economic reform will quickly evaporate."

The ECE has consistently argued for a co-ordinated approach to western assistance for eastern Europe along the lines of the post-war Marshall Plan for western Europe. In the latest bulletin it says there needs to be a "safety net" for the transition process.

Instead, it says, those in most urgent need of assistance appear to have the greatest difficulty in obtaining it. In addition, most of the so-called "aid" *to eastern Europe* and the former Soviet Union is in fact debt-creating, while the total amount of credits and other assistance to the region in 1991 and 1992 adds up to less than half the $184bn (£121bn) in transfers from west to east Germany alone.

Talks likely to put EFA back on track

By David White, Defence Correspondent

A THREATENED collapse of the four-nation partnership working on the European Fighter Aircraft is expected to be averted at a meeting this week in Brussels. But differences over the aircraft's planned capabilities and the timing of production have still to be resolved among the partner countries – Britain, Germany, Italy and Spain.

Defence ministers and *chiefs of staff* of the four countries are due to hold talks on the future of the £20bn project on Thursday, when they are in Brussels for a two-day meeting of Nato's defence planning committee. British officials said they were "reasonably confident" the meeting would secure Germany's continued participation in EFA development.

Germany announced in June it did not intend to proceed with the project, arguing the EFA was too costly and unsuitable for post-cold war needs. About £5.5bn of the £8bn development cost has been spent.

Mr Volker Rühe, German defence minister, has since come under strong internal pressure to drop his campaign for a totally new European project and to proceed with the current airframe and engines.

The other partners are expected to hold out an olive branch to Mr Rühe, acknowledging his success in bringing about significant cost reductions through a rethink on the project.

Development is expected to continue on the present basis, with the UK and Germany each taking 33 per cent shares, Italy 21 per cent and Spain 13 per cent. But the shares will have to be readjusted when the fighter goes into production, according to the number each partner plans to buy.

Ministers will approve a joint document on revised operational requirements which was signed by the four chiefs of defence staff in Rome two weeks ago. This is seen as allowing for a "family" of aircraft of varying capability, which might mean Germany opting out of the new British-led ECR90 radar.

A decision on investment to set up production was scheduled for next summer, but the date is expected to slip. Germany is reluctant to commit funds before elections in 1994 and does not want the EFA in service before 2002.

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NEWS: INTERNATIONAL

Signing will take weeks

Argentina in deal on debt reduction

By Stephen Fidler, Latin America Editor

THE Argentine government and its leading bank creditors began signing a bank debt reduction agreement yesterday at a televised ceremony in Buenos Aires. The agreement covers $23bn of medium- and long-term bank debt and $8bn of arrears on interest payments.

The signing, at which representatives from the 13 banks on Argentina's bank advisory committee were present, is the second last stage of the Brady-style agreement.

The signing is expected to take several weeks, as hundreds of creditors – including individuals who have bought the debt at a discount from face value to make speculative gains – put their signature to the accord. The agreement, negotiations over which were started in January, will be completed by an exchange of concessional bonds for bank debt, probably next April.

In a speech at the ceremony, President Carlos Menem underlined the importance of an accord which would restore the country's creditworthiness. Argentine officials see it as the latest step in the government's aim to normalise the country's international relations.

Mr William Rhodes, vice chairman of Citibank, Argentina's leading bank creditor, said the agreement "regularised" the country's relations with commercial banks and underlined the government's commitment to sound economic policies.

After the ceremony, economy minister Mr Domingo Cavallo left for Japan on a trip aimed at encouraging Japanese finance for the agreement.

The accord is the latest in a series of debt reduction agreements under the Brady plan which have also benefited countries such as Mexico and Costa Rica. The plan is named after US Treasury Secretary, Mr Nicholas Brady.

The agreement, bankers say, should improve the country's access to international financial markets and reduce its cost of borrowing, at present at least two percentage points above the costs of funds for Mexico. Under the accord, some 65 per cent of the debt will be shielded from future rises in interest rates through bonds carrying pre-set interest rates.

Russian congress converts no-one to democracy

By Leyla Boulton in Moscow

"DEPUTIES: get rid of this government of Chicago gangsters," read the telegram pinned on the notice-board at the Congress of People's Deputies in Moscow.

But most Russians, concentrating on a struggle for survival, are indifferent to the drama which will continue to unfold this week in the Kremlin as the full parliament continues to fight President Boris Yeltsin's painful economic reforms.

"I don't trust anybody," was how one army officer, who moonlights as a security guard to feed his family, summed up the feelings of many Russians.

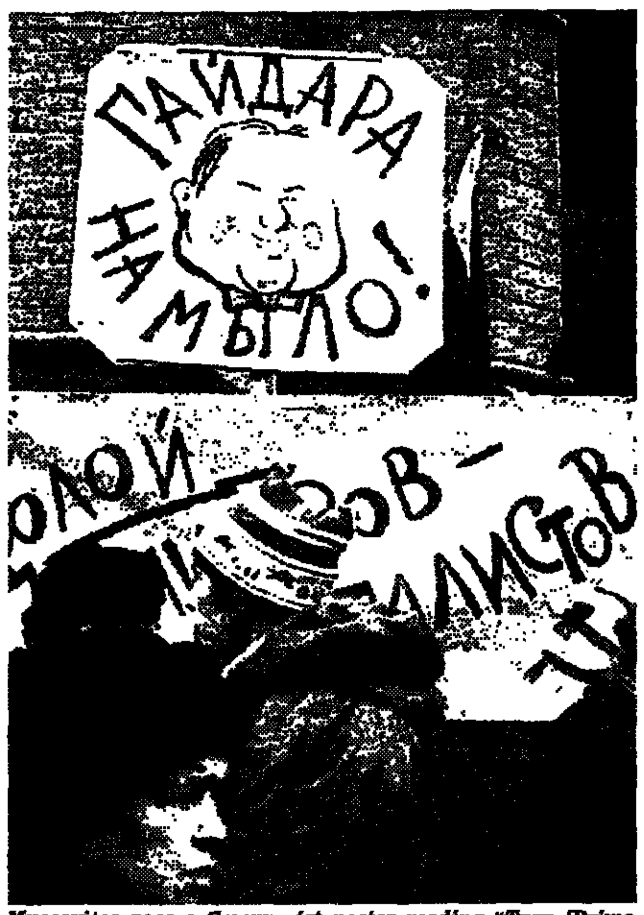
Although many of the deputies' complaints reflect real popular grievances, congress proposals for action adopted at the weekend either defend narrow vested interests – such as the state farms – or make potentially disastrous populist promises. An attempt to set up a system of parliamentary government, narrowly defeated at the weekend, would have led to chronically unstable cabinets that would have plunged the country further into crisis.

Not surprising, an opinion poll quoted by Ostankino television found that while 57 per cent of the population is dissatisfied with the government, 59 per cent is also dissatisfied with parliament.

The high point of last week's proceedings, a punch-up between deputies, spoke volumes of the absurdity of an institution which is only formally democratic. If anything, its performance has served to encourage popular disillusionment with democratic practice.

Elected in the days of communist domination of society, its unwieldy 1,000-plus membership makes it even more open to manipulation than the smaller standing parliament, the Supreme Soviet. The parliamentary chairman, Mr Ruslan Khasbulatov, a power-hungry figure promoted by Mr Yeltsin to the latter's subsequent regret, cuts an equally paradoxical figure as standard-bearer of democracy.

Pursuing his own personal power struggle by promoting the failed attempt to deprive the president of the right to form the government, he will resume the offensive by backing calls for Prime Minister Yegor Gaidar's removal today and promising new trouble when the congress next meets in April.



Muscovites pass a Communist poster reading "Turn [Prime Minister Yegor] Gaidar into soap"

Tajik war refugees stranded at border

UP to 140,000 refugees fleeing Tajikistan's civil strife are stranded near the Afghan border, Reuter reports from Tashkent.

"We were told by Russian border guards that the number of refugees near the Afghan frontier has reached 140,000," said Mr Dieter Pfaff, head of the International Committee of the Red Cross mission in the Tajik capital Dushanbe.

"We're unable to reach the area, but we are planning our relief operation on the basis of these figures."

Hundreds of people in the impoverished Central Asian republic have been killed in fighting between ex-Communist rebels and Islamic militants since former President Rakhmon Nabiyev was ousted in September.

Mr Pfaff said up to 500,000 people, 10 per cent of the population, were believed to be have been displaced by the fighting.

The refugees were fleeing recent fighting in the southern town of Shartuz about 15 miles north of the Afghan border, which is guarded by Russian troops.

Spain oil slick spreads

AN OIL slick from the Greek tanker Aegean Sea spread along Spain's northwestern coast yesterday despite efforts to prevent it from destroying valuable marine ecosystems and invading beaches, Reuter reports from La Coruña.

Efforts to extract crude oil still stored in the stricken tanker were frustrated by heavy swell and fires burning in the engine room, La Coruña governor Pilar Lledo told reporters.

She said the authorities were unwilling to risk human lives in salvaging the tanker while its situation was still unstable.

The oil had covered an area of 19 square miles by early yesterday and environmentalists feared it could spread as far as 60 miles and devastate shellfish beds which provide much of the region's livelihood.

Local unions and ecology groups claimed the authorities had failed to take sufficient preventive measures.

Beaches along the Betanzos and Ares estuaries, northeast of La Coruna, were covered with oil and the slick was bearing in on Ferrol, whose port remained closed yesterday.

Slovene president is expected to win re-election

By Laura Silber in Ljubljana

SLOVENES yesterday braved the cold to vote in the first elections since the republic broke away from Yugoslavia in June 1991.

Mr Milan Kucan, the widely respected president of Slovenia, is the strong favourite to win re-election, while the new 130-seat bicameral parliament is likely to be split among a leftist coalition, liberal and centre-right parties.

But many Slovenes in Ljubljana, the capital, yesterday worried whether Mr Zmago Jelincic, an ultra-nationalist whose party has recently risen in popularity, would win support as a parliamentary candidate among the 1.45m voters in the tiny Alpine republic.

In nearby Vrhnika, where Mr Jelincic is running, many voters feared his extremism. "He is dangerous. He hopes to 'ethnically cleanse' Slovenia – but every citizen should have the same rights, Slovene or not," said a 50-year-old factory worker who spoke on condition of anonymity and voted for the reformed communists.

But next to him, Mr Mihal Miran said: "All my friends are voting for Jelincic. A vote for him is a vote for the Slovene people and Slovenia." Mr Jelincic has called for the expulsion of some 130,000 guest-workers from the former Yugoslavia.

Mr Peter Bekes, an official of the reformed Communists' party, warned against playing down the significance of Mr Jelincic's popularity. "Hitler at first captured only 3 per cent of the vote. These totalitarian movements do not respect the rules of democracy."

Turnout was expected to be high throughout the republic. Election results are expected today.

● Amid battles in Bosnia, General Aly Abdul Razek, the commander of UN forces in Sarajevo, at the weekend declared the failure of their peacekeeping mission. He called on the international community to set a one-month deadline before intervening militarily to end the war in Bosnia, where Serbs have seized control of 70 per cent of the republic.

In Sarajevo, fighting intensified after Serb forces continued their onslaught on the Bosnian capital as they seized control of Otes, a key western suburb.

Turnout likely to be low in Venezuela poll

By Joseph Mann in Caracas

VENEZUELANS, who have seen two military uprisings against their government this year, went to the polls yesterday in nationwide elections for state governors, mayors, city councils and parish councils.

But politicians are concerned that disaffection with Venezuela's democracy will translate into low voter turnout.

Only 10.39m Venezuelans, about half the country's population, are registered as voters. This would suggest that most do not believe that their ballots will change anything, despite exhortations by the media and politicians to go out and vote.

Voter abstention nationwide stood at more than 54 per cent during the last state and local elections, in 1989, although voting is compulsory.

Even though most Venezuelans rejected a call by military rebels and leftist extremists to join a rebellion on November 27, most people still appear to have a low opinion of the country's democracy.

Moreover, doubts exist as to whether voters will continue to opt for the "establishment" parties, or back the left and independent candidates.

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Inquiry may blunt campaign of industrialist Chung Ju-yung

Election crackdown on Hyundai

By John Burton and Alexander Nicoll in Seoul

SOUTH Korea's government was yesterday investigating alleged electoral malpractices by Hyundai, the industrial conglomerate, as the presidential bid by its founder, Mr Chung Ju-yung, appeared to be rapidly gaining strength less than two weeks before the elections.

The government's attempt to crack down on Hyundai could blunt the momentum of Mr Chung, whose campaign may determine the outcome of the December 18 elections. He is taking votes from the candidate of the ruling Democratic Liberal party, Mr Kim Young-sam, potentially tipping the balance towards the main opposition candidate, Mr Kim Dae-jung.

The inquiry by police, the prosecutor's office, and tax and banking authorities is examining allegations that Hyundai is illegally diverting funds into Mr Chung's campaign and forcing Hyundai employees to canvass for him.

Police yesterday arrested four Hyundai executives, including the president of Hyundai Wood Materials, on charges of illegally campaigning for the group's founder.

The police had sought the arrests after a junior accounting clerk of Hyundai Heavy Industries, a subsidiary of the group, told a press conference that Won32bn ($41m) was secretly transferred from a Hyundai subsidiary to Mr Chung's United People's party (UPP). Hyundai and the party deny the allegation.

Mr Chung acknowledges that Hyundai employees are working in his campaign but says their involvement is voluntary. He says his campaign is funded by sales of his own holdings in Hyundai group companies.

Mr Chung Se-yung, the Hyundai chairman and younger brother of its founder, threatened: "The Hyundai group may be forced to shut down as long as the persecution goes on to disrupt the normal operation of the group."

Mr Chung's campaign has gained ground, according to private polls conducted by all three parties – public opinion polls are banned during the campaign. All polls agree that Mr Kim Young-sam is the front-runner but the opposition parties say his lead is narrowing as Mr Chung cuts into his middle-class conservative support.

Mr Chung's populist platform, which includes promises of a trebling in per-capita income within five years and deep cuts in apartment rents, is striking a chord with an electorate concerned about Korea's slowing economic growth.

He is attracting protest votes reflecting dissatisfaction with the political establishment as represented by the Kims, who both stood unsuccessfully in the last presidential election in 1987.

UPP officials say the Hyundai investigation is a deliberate attempt by the government to undermine Mr Chung and reduce the threat he poses to Mr Kim Young-sam.

All the parties have been under investigation throughout the campaign for alleged vote-buying but the probe of links between the UPP and Hyundai has been the most public.

However, UPP officials hope that the investigation could create public sympathy for Mr Chung and win him support. Earlier this year, the UPP won more seats than expected in parliamentary elections after the government imposed tax penalties on Hyundai and Mr Chung in what was interpreted as a state attempt to thwart his political ambitions.

The 77-year-old Mr Chung entered politics after criticising government interference in the running of the economy and restrictions placed on the *chaebol*, family-owned industrial conglomerates of which Hyundai is the largest in terms of sales. Several other industrial leaders have also flirted recently with political careers.

Whatever the outcome of the investigation into Hyundai, Mr Chung has a formidable base of support among its 170,000 employees, many of whom are involved in the campaign. They are encouraging families, friends and customers to vote for Mr Chung and are turning for his election rallies.

Race to unchain the dragon, Page 16

Thousands of supporters of Kim Young-sam attend a rally attended by him in Suwon yesterday. As presidential candidate of the ruling Democratic Liberal party, he remains the front-runner

US initiative welcomed by Somali warlords

By Julian Ozanne in Mogadishu

SOMALIA'S two biggest warlords said at the weekend that they welcomed the presence of US Marines, poised offshore to land in their country. But they added that Washington must make a long-term economic and political commitment to the war-ravaged nation rather than a purely short-term humanitarian intervention.

In his heavily fortified compound in the shell-blasted Somali capital of Mogadishu, General Mohamed Farrar Aideed, Somalia's most feared faction leader, also complained bitterly about not being consulted by the US over the military intervention, which is set to begin within the next 48 hours. "If we are not consulted by the US it will look more like an invasion force and that could cause problems for them," he said in an interview with the Financial Times.

Minutes later, he contradicted himself, saying that US troops would come to no harm in Somalia and that he would personally guarantee their safety.

Later in the day, six miles away across the green line which divides the rubble-strewn capital in half, Gen Aideed's foe, Mr Ali Mahdi Mohamed, was also guaranteeing the safety of US soldiers, to the background sound of intermittent shots.

The self-styled interim president said that, unlike Gen Aideed, he did not think he needed to be consulted by the US about the landing of foreign troops on Somali territory – a bizarre admission for a man who still claims, despite all the chaos and fragmentation of the country, to be the legitimate head of a sovereign government.

The war between Gen Aideed and the former hotelier, caused largely by the general's thirst for absolute power and clan rivalry and greed over scarce resources, has plunged Somalia in the past year into anarchy and starvation.

Both men adamantly denied they had any personal responsibility for the disintegration of their country, the death of at least 300,000 people from war-induced starvation this year or the Mafia-style protection racket which has terrorised and extorted tribute from aid agencies and prevented food from reaching those in need.

The rival leaders agree the US must take a more long-term view

The two men appear to agree on little else except that the US must take a much more long-term view of intervention in Somalia.

The White House has said the 28,000-33,000 US forces will carry out a humanitarian operation to get food to an estimated 1.5m people at risk of death from starvation and will leave Somalia as soon as that is completed, possibly by January 20, the date of the Bush-Clinton handover.

Both warlords think that US troops should stay in Somalia for at least six months and possibly beyond to achieve four objectives: establish security for the relief effort, disarm the bandits and looters, help start the process of reconstruction, rehabilitation, job creation and economic development and broker a political reconciliation conference between the clan-based factions which will establish an interim government to pave the way for elections.

"Somalis have very high expectations from the US," said Gen Aideed. "We expect the Americans not just to do humanitarian assistance."

Mr Mahdi, dressed in a white safari suit and sitting behind a huge mahogany desk with a world globe to his left, said: "The US must disarm the faction leaders and their few supporters. . . and if the US only distribute food and leave people with guns then there is no hope for Somalia in the long term."

Mr Mahdi added: "The great danger is that with the US soldiers the Somali people are facing a great opportunity. The world has offered a last chance for peace and order and life in this country. If the Somali people don't benefit from this it will be very sad and a great disaster for us."

Many Somalis share Mr Mahdi's assessment of their last hope for a life of peace and order.

If the US effort fails, through lack of commitment, Somalia will continue to slide into anarchy until there is little left to argue over.

But many Somalis also hope that the US will rid them of the warlords themselves.

Palestinian leaders drop call for Mideast talks boycott

By Hugh Carnegy in Jerusalem

PALESTINIAN leaders reluctantly gave their delegation the go-ahead to attend the latest round of Middle East peace talks, starting in Washington today, after their call for a boycott was brushed aside by fellow participants Syria, Jordan and Lebanon.

The snub underlined the Palestinians' weak position in the talks. The fifth anniversary on Wednesday of the start of the *intifada* – the uprising against Israeli rule in the occupied territories – will be a further reminder of the painful alternatives they face.

The Palestine Liberation Organisation wanted to postpone the eighth round of bilateral negotiations with Israel until after the inauguration of President-elect Bill Clinton next month to protest at Israel's tough stance in the year-old talks. But the suggestion was rejected at a meeting of the Arab parties in Beirut, attended also by Egypt.

Yesterday Mr Yitzhak Rabin, the Israeli prime minister, said before leaving for visits to Italy and Britain that the Palestinians and, to a lesser extent, the other Arab delegations wanted to mark time until Mr Clinton was in place. But he added: "I still believe that agreements will emerge out of the peace talks in 1993."

The Palestinians fear their goal of full independence will be prejudiced by a planned interim stage of limited self-rule in the West Bank and Gaza Strip. But their case for far-reaching powers in the initial stage is undermined by the PLO's acceptance of the two-stage structure when the process was launched in Madrid in October 1991.

Both the Tunis-based PLO and local leaders fear they will not be able to secure an interim agreement acceptable to the rank and file, among whom Islamic fundamentalist and other rejectionist groups are active. Increasing disillusionment is reflected in a recent rise in violence in the territories.

Israeli troops have shot dead 17 Palestinians in clashes over the past month. The toll compares with eight killed in July. More than 950 Palestinians have been killed by Israelis during the course of the *intifada*. Just over 100 Israelis have died, and at least a further 550 Palestinians have died in inter-Arab violence. The security forces are braced for a surge of violence over Wednesday's anniversary.

Concern grows over China's HK stance

By Simon Holberton in Hong Kong

CHINA'S unbending attitude toward Hong Kong is causing increasing concern among western diplomats and some mainland Chinese officials in the colony, who are worried about the consequences for Beijing's relations with the US and Taiwan.

Diplomats say they are dismayed at the way in which Beijing's top leadership has interpreted a recent instruction from Deng Xiaoping, China's 88-year-old senior leader, to be tough with the British.

"We all know that Deng has said 'Teach the British a lesson'," said the head of one western mission in Hong Kong. "But for that to be interpreted in the way it has been is quite worrying."

Last week, the local stock market fell sharply after a series of threats from Beijing were aimed at proposals for more democracy by Mr Chris Patten, the governor.

Brokers expect choppy trading ahead of this week's meeting of the Sino-British Joint Liaison Group – the body overseeing the transfer of Hong Kong from the UK to China.

A week ago, China said it would repudiate business contracts entered into by the Hong Kong government if they were not approved by Beijing.

Last Thursday it suggested that the 1984 Sino-British Joint Declaration might be in doubt if the UK did not back down on plans for limited democracy in the colony.

The western diplomat said that China was losing sight of its other vital interest, namely its relationship with the US and its improving relations with Taiwan.

Taiwan goes to the polls in two weeks for its first fully democratic elections, and Beijing's tough stand on democracy in Hong Kong is seen as boosting the electoral prospects of the island's independence movement.

There is growing concern in the US – especially among Democrats in Congress – of China's perceived intimidation of Hong Kong. China's sale of missile technology to Pakistan is also seen as weakening further the narrow base of support Beijing currently enjoys in Washington.

These concerns were echoed by local mainland officials in Hong Kong, who also pointed out that Beijing ran the risk of undermining the Joint Declaration in the eyes of local people.

The Joint Declaration provides for Hong Kong to be "ruled by Hong Kong people" and for it to enjoy a "high degree of autonomy" under the concept of "one country, two systems".

Beijing's statement a week ago that it would act on behalf of the future government of the colony in approving pre-1997 contracts was seen by some of its own officials as weakening these commitments.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

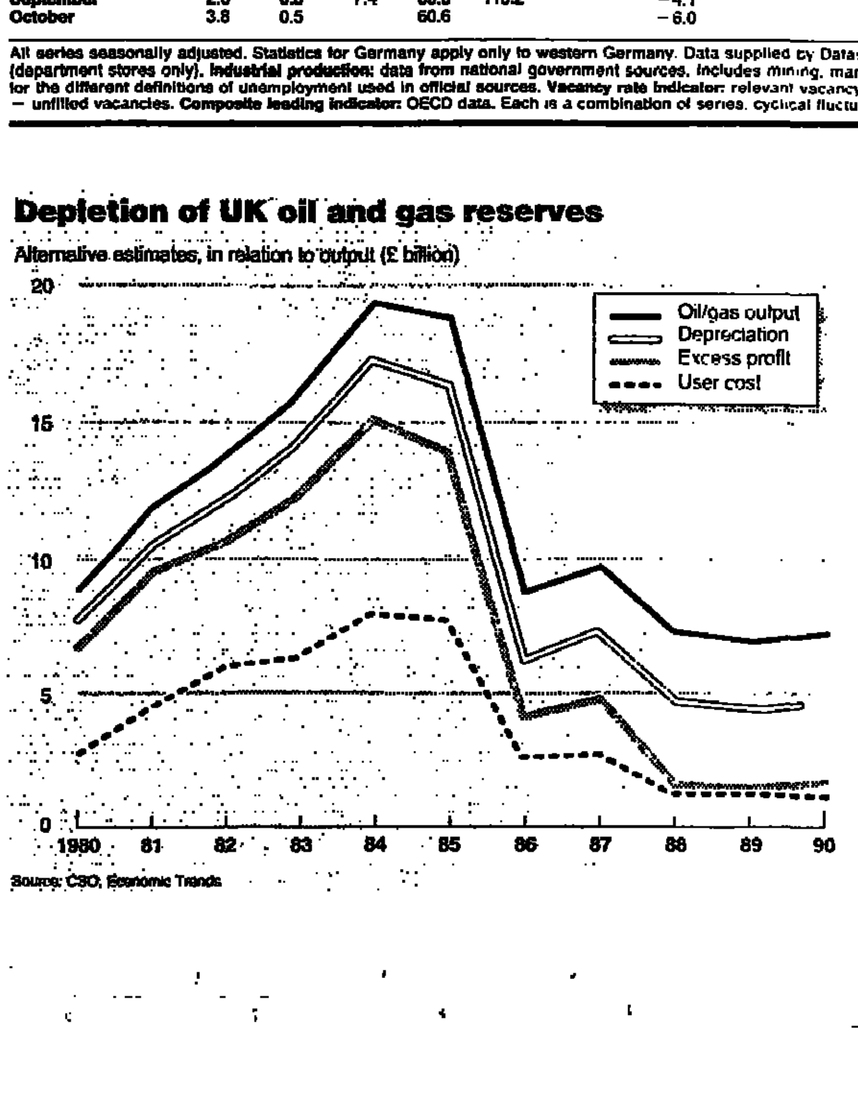
	UNITED STATES Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	JAPAN Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	GERMANY Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.9	100.0	100.0	2.6	100.0	96.6	100.0	100.0	7.1	100.0	105.1
1986	105.7	101.0	6.9	98.0	106.1	106.5	99.7	2.8	94.3	105.4	103.4	102.2	6.4	136.4	104.8
1987	108.3	105.9	6.1	105.5	109.9	113.8	103.1	2.9	108.3	115.4	107.4	102.5	6.2	149.4	105.8
1988	112.3	111.6	5.4	106.1	114.3	122.8	112.9	2.5	135.9	122.9	110.5	106.2	6.2	164.7	112.0
1989	115.1	114.5	5.2	99.3	113.1	132.8	119.9	2.2	147.0	126.4	114.1	111.4	5.6	218.6	114.8
1990	115.4	115.7	5.4	84.5	109.1	142.0	125.3	2.1	149.7	124.4	123.5	117.2	4.9	261.0	115.4
1991	113.4	113.5	6.6	62.0	114.7	145.0	128.1	2.1	144.1	123.3	130.5	120.8	4.3	269.9	112.4
4th qtr.1991	−0.5	−0.5	6.9	59.5	114.7	1.9	−1.6	2.1	140.3	123.3	1.2	0.1	4.3	264.7	112.4
1st qtr.1992	3.3	1.3	7.1	58.9	116.6	−0.8	−4.6	2.0	132.9	123.1	−2.8	1.3	4.3	275.7	112.3
2nd qtr.1992	1.8	2.0	7.4	60.4	116.1	−3.5	−6.2	2.1	126.8	122.6	−4.2	−1.3	4.5	273.3	111.0
3rd qtr.1992	2.5	0.8	7.5	60.1	115.2		−6.1				−1.9	−1.6		261.1	108.0
November 1991	−1.5	−0.2	6.8	59.1	113.5	4.1	−1.2	2.1	139.0	123.9	−0.2	1.7	4.3	261.5	112.4
December	0.5	0.2	7.0	59.8	114.7	0.0	−1.8	2.1	138.3	123.3	0.6	−2.1	4.3	265.6	112.4
January 1992	5.0	0.0	7.0	56.3	115.6	−0.2	−3.6	2.1	136.1	123.3	−1.3	0.2	4.3	270.8	112.3
February	3.9	1.4	7.2	59.0	116.5	2.4	−4.6	2.0	132.5	123.2	−2.1	3.4	4.3	278.9	112.4
March	1.2	2.5	7.2	61.4	116.6	−4.5	−5.6	2.0	130.2	123.1	−4.9	0.2	4.4	278.1	112.3
April	2.0	2.5	7.1	59.3	116.8	−2.8	−6.0	2.0	130.6	123.0	−2.4	−0.2	4.5	276.5	111.8
May	1.7	2.4	7.4	61.3	116.5	−1.0	−8.9	2.1	122.0	122.8	4.1	0.3	4.5	273.3	111.4
June	1.6	1.1	7.7	60.7	116.1	−6.5	−3.8	2.1	127.7	122.6	6.0	−3.9	4.5	270.0	111.0
July	2.4	1.2	7.6	59.9	115.6	−1.0	−6.1	2.2	122.5	122.4	−4.1	−2.6	4.6	266.8	110.3
August	2.4	0.9	7.5	61.2	115.2		−8.1	2.2	116.1	122.1	−1.4	−0.8	4.7	262.7	109.4
September	2.6	0.3	7.4	59.3	115.2		−4.1				−0.1	−1.3		253.0	108.0
October	3.8	0.5		60.6			−6.0					−3.6		240.9	

	FRANCE Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	ITALY Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	UNITED KINGDOM Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.2	100.0	102.4	100.0	100.0	9.6	104.1	100.0	100.0	11.2	100.0	101.9
1986	102.4	101.1	10.4	107.2	109.0	108.0	104.1	10.5	110.9	105.2	102.4	11.2	116.1	105.2
1987	104.5	103.1	10.5	117.6	108.4	113.9	106.8	10.9	113.0	110.7	105.7	10.3	141.2	109.3
1988	107.9	107.3	10.0	134.9	114.3	109.8	114.2	10.9	117.8	117.7	109.5	8.6	144.3	107.5
1989	109.6	111.3	9.4	161.1	113.7	118.4	118.7	10.9	116.0	119.8	109.9	7.1	124.7	105.3
1990	110.1	112.9	9.0	166.0	106.6	115.0	118.0	10.3	112.3	120.4	109.3	6.8	97.9	103.1
1991	109.7	113.2	9.6	129.7	107.5	114.3	115.4	9.8	115.2	119.5	106.1	8.7	66.9	107.3
4th qtr.1991	0.2	1.4	10.0	124.8	107.5	6.3	−0.7	9.9	115.2	0.4	−0.8	9.3	67.3	107.3
1st qtr.1992	−1.2	1.0	10.1	120.0	108.6		−0.3	9.9	114.6	−0.4	−1.3	9.5	70.8	107.9
2nd qtr.1992	0.2	0.1	10.3	108.5	107.7		−0.3	9.8	113.2	1.2	−0.2	9.7	68.1	111.0
3rd qtr.1992	−0.3	−0.7	10.3	112.9	105.7		−1.2			0.9	−0.6	10.1	63.3	110.1
November 1991	0.7	1.2	10.0	126.3	107.5	7.5	2.7	n.a.	114.7	1.6	−0.7	9.3	65.9	107.9
December	−1.5	2.6	10.0	123.3	107.5	5.0	−3.2	n.a.	115.2	−0.4	−0.3	9.4	72.7	107.3
January 1992	0.2	0.1	10.1	122.5	107.9		−1.4	n.a.	115.1	0.8	−1.2	9.5	70.4	106.7
February	3.3	0.4	10.2	119.6	108.4		0.3	n.a.	114.9	1.3	−1.0	9.6	71.0	107.1
March	−6.9	2.7	10.1	117.9	108.6		0.3	n.a.	114.6	−3.2	−1.8	9.5	71.1	107.9
April	2.6	1.2	10.3	105.5	108.3		0.5	n.a.	114.8	1.1	1.4	9.6	69.7	109.2
May	−0.9	−0.5	10.3	103.4	108.1		1.1	n.a.	114.4	1.9	0.4	9.7	68.1	110.3
June	−1.3	−0.4	10.3	116.4	107.7		−2.6	n.a.	113.2	0.5	−2.4	9.7	66.5	111.0
July	−3.5	−1.1	10.3	115.8	107.3		0.2	n.a.	112.1	−0.3	−1.5	9.9	66.6	110.1
August	0.5	−1.1	10.2	114.1	106.6		−0.3	n.a.	110.9	1.3	−0.1	10.1	64.1	109.7
September	2.4	0.1	10.3	108.9	105.7		−3.5	n.a.		1.6	−0.2	10.2	59.2	110.1
October					104.6			n.a.		1.8			57.7	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Depletion of UK oil and gas reserves

Alternative estimates, in relation to output (£ billion)



Source: CSO, Economic Trends

Accounting for the exploitation of natural resources

WHAT HAS made the idea of "sustainable development" so appealing, writes Ms Frances Cairncross of the Economist, is "the fact that the phrase implies so many different things to different people. Every environmentally aware politician is in favour of it, a sure sign that they do not understand what it means."(1)

The Brundtland commission defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".(2) This definition does not make one much wiser. It implies maintenance of the capital stock. But what is the relevant capital stock, how is it to be measured and to what extent can some parts of it be substituted for other parts?

These are questions more of value than of fact. But they already have practical implications, amongst them being the attempts to incorporate natural resources into national accounts. As Mr Chris Bryant and Mr Paul Cook of the UK's Central Statistical Office, demonstrate in a recent article, conceptual and practical problems bedevil the effort. (3)

National accounts measure economic exchange. They do not measure welfare. They also fail to measure the economist's concept of income, defined by a Nobel-laureate economist, the late Sir John Hicks, as the most that might be consumed forever. Hicksian income is similar to "sustainable development", although those concerned with the latter would put particular emphasis on the natural resource component of the capital stock.

In one particular area, the depletion of marketed natural resources, environmentalists and economists have similar objections to conventional national accounts. Both agree that output of products like oil is overestimated, since reserves will give out and income cease.

A study by Washington's World Resources Institute has calculated that Indonesia's measured gross domestic product would be markedly reduced by proper estimates of depletion. This particular study used two ways of calculating depletion, shown as "depreciation" and "excess profit" in the chart, which reports the CSO's attempt to apply such methods to the UK's oil and gas production.

Though different in detail, both methods deduct the proportion of the industry's profits attributable to sale of natural resources, as opposed to that attributable to use of man-made capital in their extraction. The value of the natural resources themselves is, in effect, deducted from GDP, the argument being that the sale of resources is not itself production.

Yet the cash obtained from selling the family silver can be invested to generate an income. Accordingly, the World Bank has published a study recommending an alternative, Hicksian approach. "User cost", also shown for the UK in the chart, is the amount that would need to be invested to maintain in perpetuity an income equal to the difference between the value of oil and gas output and user cost. The "user cost" method gives rather smaller estimates of what needs to be deducted from gross output than "depreciation" and "excess profits", because it counts part of the surplus over the cost of production as a sustainable income.

Even adjusting measured output of marketed non-renewable resources is contentious, it appears, never mind valuing the use of non-marketed natural resources like the atmosphere. Yet the adjustments amount to billions of pounds in the case of the UK. Much more work on environmental adjustments to national accounts can be expected, but will statisticians ever reach generally accepted conclusions?

Martin Wolf

(1) Frances Cairncross, Costing the Earth: The Challenge for Governments, the Opportunities for Business (Boston, Mass: Harvard Business School Press, 1992). (2) World Commission on Environment and Development, Our Common Future (London: Oxford University Press, 1987). (3) Chris Bryant and Paul Cook, Environmental Issues and the National Accounts, Economic Trends, November 1992.

European airport slot deal expected today

By Paul Betts, Aerospace Correspondent

THE UK government is expected to reach a compromise agreement today with other EC countries on regulations to allocate scarce take-off and landing times or "slots" at congested European airports.

The proposals are expected to tighten the rule that an airline can lose a slot if it does not use it. An earlier plan to confiscate slots from dominant carriers at congested airports has been dropped.

The compromise is expected to provoke angry reactions from smaller independent carriers such as Virgin Atlantic Airways, which want additional slots at London Heathrow, Europe's biggest and most congested airport, to expand their operations.

Mr Richard Branson, Virgin chairman, said the slot proposals expected to be approved by EC transport ministers were "perhaps the most anti-competitive piece of legislation ever suggested for an industry which is still rife with anti-competitive practices".

UK officials argued the new proposals would give smaller airlines and new entrants in the market greater opportunities to secure slots at busy airports but acknowledged that the UK had been the only EC country to press for new slot regulations as part of the liberalisation of the European air transport market next year.

Without a compromise, there would have been little chance of securing an agreement with the other EC countries, the officials indicated.

Mr Branson said the tighter "use it or lose it" rules would have little effect because large flag carriers – national airlines – were likely to operate slots unprofitably, if necessary, to keep competitors out of the market.

He has complained to Mr John MacGregor, UK transport secretary, about the declaration that airlines will be entitled to hold on to the same slots they operated the previous year.

That, Mr Branson said, would legalise the controversial system whereby airlines have automatic rights to slots they have historically held at an airport.

It would make it even harder for smaller independents such as Virgin to gain slots at busy airports to compete against the big flag carriers. In turn, it would undermine competition and keep fares high, he said.

UK officials insisted that the proposals would not give airlines ownership rights to slots but only entitle them to operate those slots for the duration of the compromise agreement, to be reviewed in three years.

Mr Branson is about to test the present slot allocation system in the UK by asking the Civil Aviation Authority to transfer two British Airways slots at Heathrow, where BA controls nearly 40 per cent of slots, to Virgin to enable that airline to start a daily service to San Francisco in competition with BA.

That is likely to lead to a new row between BA and Virgin. BA was furious last year when the CAA transferred BA slots to Virgin at Tokyo's Narita airport to enable the smaller carrier to increase its flights to the Japanese capital.

Protests over hunt for Clinton files in UK

By Ralph Atkins

THE HOME OFFICE faced protests from the Labour opposition party yesterday after it emerged that officials had checked the department's files during the US election to see if president-elect Mr Bill Clinton had applied for UK citizenship.

The report brought fresh allegations of the government's mixing party and official duties. It came as 10 Downing Street was forced to deny that Mr John Major had been snubbed by being refused a meeting later this month with Mr Clinton.

Officials in London and Washington denied reports of a rift between Mr Major and Mr Clinton. Last night Mr Clinton emphasised the importance of the "special relationship" between the UK and US.

Mr Tony Blair, shadow home secretary, has written to Mr Kenneth Clarke, home secretary, asking why officials searched to see if files had been kept on Mr Clinton when he was a student at Oxford University.

Labour MPs are likely to raise the issue in parliament today.

The Home Office said it does not comment on individual cases but, privately, officials said that during the US election there were many inquiries from journalists about whether Mr Clinton had applied for citizenship to avoid the draft. In order to forestall false stories, the department had looked to see if Mr Clinton's name appeared. It did not.

Two Conservative officials – Mr John Lacy and Mr Mark Fulbrook – helped in the campaign of Mr Clinton's rival, President George Bush. They were in Mr Major's election team in April and gave a seminar to the Bush campaign on how the prime minister overturned his opponent's opinion poll lead, largely by negative campaigning.

The main purpose of Mr Major's trip to the US, in two weeks, is for a US-EC summit, Downing Street said. Mr Major hopes to meet Mr Clinton in the New Year.

An armed policeman in Upper Thames Street in the City of London yesterday watches as vehicles are stopped and searched

IRA threat prompts armed roadblocks by London police

By Bethan Hutton

ARMED OFFICERS from the City of London police have been conducting random road checks and the force has installed cameras on buildings around the City to monitor potential terrorist activity.

The City of London police are also calling on businesses to make sure external security cameras are functioning properly, as private security video recordings have proved to be a vital source of evidence on terrorist movements.

Elsewhere in London, Metropolitan Police staged armed roadblocks at the weekend in an attempt to detect terrorist movements and reassure the public.

Both London police forces say they are relying on increased public vigilance in the fight against the IRA's threatened Christmas bombing campaign.

The forces are working together but they have different views about the sensitive issue of armed officers and protection of the public. City firearms officers carry their weapons openly but their counterparts in the Met are under orders to keep them out of sight unless needed.

On Friday and Saturday night up to 45 armed police, dog handlers and traffic officers stopped and searched more than 80 vehicles, mostly vans, at roadblocks in locations around the east end of London, where police believe an IRA cell is based.

No weapons, explosives or terrorist suspects were found in the operation but similar operations are likely in future. The legal powers to conduct random checks have existed for some time, but have not been used in London before.

The new tactic was deployed in response to the IRA's recent bombing campaign using vans packed with large amounts of explosive parked outside buildings or near road junctions.

The Lord Mayor of London, Mr Francis McWilliams, has written to the prime minister saying that the "serious problems" between insurers and the government over cover for commercial property damaged by terrorists must be resolved urgently before it affects foreign investment and London's commercial property.

The Association of British Insurers, which has recommended its members to exclude terrorist damage from new commercial policies, said on Friday that some insurers were considering cancelling existing policies on 30 days notice, rather than waiting for them to expire.

Insurance industry bodies are asking the government to extend to the mainland the compensation scheme used in Northern Ireland, or to underwrite some of the cost of providing cover against terrorism.

Companies face VAT chaos

By Andrew Jack

BRITISH BUSINESSES face the prospect of administrative chaos in complying with customs and VAT regulations after the single European market comes into force on January 1

Many companies say they are worried by questions about detailed procedures, which customs officials across the EC have yet to resolve.

"The whole thing is frankly a total imposition," said Mr Ken Solomons, the accountant for Wilson & Kyle, a small supplier of fuel injection equipment based in Brentford, south-west London.

Wilson & Kyle is one of 30,000 British companies with trade of at least £135,000 a year with other EC states. As a result, it must file a new statistical form called Intrastat within 10 working days from the end of each month – on pain of criminal penalties.

Yet the company has not yet received from Customs the directory of commodity codes required to complete the form. It said it has experienced ignorance, conflicting information and inaccurate advice on preparations for the single European market among trade associations and consulting groups. Many suppliers had no idea what changes were required.

Executives at Unisys, a large US-owned computer company, appear somewhat better prepared. Mr Bob Marshall, director of operations for distribution in Europe and Africa, has been reassuring staff about the changes. However, in private, he is less sanguine. "We are quietly comfortable that we will be ahead of the game," he said. "But if only we knew what the rules were." He is particularly concerned that Customs authorities in some other EC states – notably Spain, Italy and Portugal – still have not issued details of procedures.

Unisys must comply with widely differing requirements. In the UK the Intrastat returns can be supplied electronically, but the Danes are insisting on lengthy and cumbersome paper documents.

Mr Athol Cowley, controller of the tariff and statistical office at Customs, Southend, who is co-ordinating Intrastat, said: "We are relatively happy with the way things are going. My feeling is that we will achieve a pretty high state of readiness."

Mr Solomons of Wilson & Kyle is unconvinced. "It'll be a terrible shambles in January everywhere," he said.

Industry attacks EC data directive

By Alan Cane

A BRUSSELS-inspired measure to ease the flow of information across national boundaries by harmonising national data protection laws will cost UK businesses millions of pounds, the Confederation of British Industry warned today.

The employers' organisation said the measure, a directive working through the European Commission's labyrinthine machinery, demanded unnecessarily high levels of protection.

Ms Judith Vincent, head of the CBI law department, said the proposed regulations too detailed: "It will cost firms millions of pounds in gearing up to comply with the law and in on-going compliance costs. Cost will arise from increased staffing and record keeping and greater computer capacity needed to comply with the proposed regime."

She said the directive had implications for all companies' customer, personnel and other records containing personal data. It would particularly affect telecommunications, banking, insurance and travel companies. It could, for example, make it unlawful for a bank to send customers details of a new service without first obtaining the customers' permission.

The proposed directive has been a source of controversy since its introduction in September 1990.

It was prompted by concerns about the ease with which information held on computers can be manipulated and transmitted. But charities, direct marketing companies, airlines and banks were among the industries which successfully lobbied members of the European parliament into submitting more than 150 amendments when the directive had its first reading in the European parliament last February.

The Commission hopes member countries will approve the directive next year to that it can be implemented from July 1, 1994.

THE WEEK AHEAD

ECONOMICS

Recovery hopes rest on figures

A SENSE that brighter news on the economy is lurking in the wings lifted spirits in the UK towards the end of last week, so today's consumer credit numbers will be looked at closely for further evidence of a recovery in retail sales.

While the credit business series from the Central Statistical Office measures only about 15 per cent of total private sector debt, the numbers provide a useful snapshot of consumer behaviour.

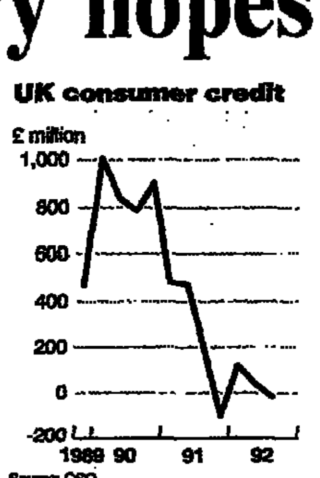
The forecast is for a small change in net consumer borrowing in October – after September's net repayment of £60m.

The release of the final cost of living figure for November in west Germany is also expected this week. The preliminary number, a year-on-year rise of 3.7 per cent, surprised economists. A modest downwards revision may be announced, but is unlikely to be steep enough to ease Bundesbank worries over inflation.

Last week, Helmut Schlesinger, president of the Bundesbank, complained inflation was too high – and M3 growth continues to overshoot its 1992 target.

This is also an important week for European politics. The Edinburgh summit starts on Friday. John Major, the prime minister, will want a successful summit at the end of the UK's troublesome 6 months at the presidency of the EC.

UK consumer credit



Source: CSO

Following are some of the other economic highlights of the week. The figures in brackets are the median of economists' forecasts from MMS International, a financial information company. Unless stated otherwise, the figures are the month-on-month comparison.

Today: UK, October credit business (up £20m); Canada, November housing starts (170,000 units); Switzerland, deputy governor of the Bundesbank Tietmeyer speaks on European monetary integration; Brussels, EC agriculture ministers meeting.

Tomorrow: US, October consumer credit (up $0.4bn); October motor vehicle sales (down 0.5 per cent), October labour income (unchanged); Switzerland, G10 Central Bank governors meeting at Bank of International Settlements; Brussels, EC foreign ministers meeting for pre-Edinburgh summit discussions; Austria, Italy, Portugal and Spain, markets closed.

Wednesday: US, October wholesale trade; Australia, October retail trade (up 0.4 per cent); Switzerland, November CPI (up 3.2 per cent on year); UK, EC commission president Jacques Delors meets UK prime minister, John Major; Portugal, parliament debates and votes to ratify Maastricht treaty.

Thursday: US, November producer price index (up 0.1 per cent), excluding food and energy (up 0.2 per cent), October home completions, money supply data for the week ended November 30, money supply data for month of November; Canada, October department store sales; Australia, November employment (up 5,000), November unemployment (11.2 per cent); Norway, CPI (up 2.1 per cent on year); Sweden, November CPI (up 0.2 per cent on month, up 2.1 per cent on year); France, Bank of France conference, 1992 and 1993 monetary policy; UK, Treasury monthly report on monetary policy; Switzerland, EFTA ministerial meeting in Geneva for 2 days; Germany, Bundesbank council meeting with year-end M3 target review.

Friday: UK, EC Edinburgh summit opens, RPI (up 0.1 per cent on month, up 3.2 per cent on year, up 3.8 per cent on year excluding mortgage interest rates); Holland, November CPI (flat on month, up 3 per cent on year); Switzerland, Swiss National Bank 1993 monetary programme; US, November CPI (up 0.2 per cent), excluding food and energy (up 0.2 per cent), November retail sales (up 0.2 per cent), excluding cars (up 0.4 per cent). December Michigan sentiment, November real earnings; Japan, Bank of Japan quarterly Tankan report released; Australia, October award pay rates.

During the week: Germany, November cost of living – final, October retail sales (up 1 per cent on year); Sweden, November unemployment rate (5.6 per cent).

Emma Tucker

RESULTS DUE

Pilkington, the glass maker, reports interim results on Thursday and is expected to see profits fall once more, and cut the dividend after a reduction in the year-end dividend in June.

There is a wide range of estimates, with the pessimists expecting pre-tax profits of £10m or less, against £50.6m, after more exceptional costs.

Interim results from Scottish & Newcastle today should reflect tougher trading conditions in the beer market and two disappointing summer months for its UK holiday operations. A 5 per cent decline in interim pre-tax profits to about £110m is forecast.

Siebe, the engineering systems and controls group, looks set to continue its solid performance since its £357m acquisition in 1990 of US group Foxboro. Analysts forecast a modest improvement in pre-tax profit to £76.5m (£75.2m) for the six months to September, when results are published tomorrow. The interim dividend is likely to be increased marginally, to 3.3p. – last year's payout was 6.05p, but there was a one-for-one capitalisation issue in September.

Airtours, the UK's third largest package holiday company, should report today pre-tax profits of between £34m and £36m for the year to September, against £27.5m last time.

It is thought the group will have net cash of more than £100m, having bought for £16m the Pickfords travel agency chain from NFC in September. The full-year dividend is likely to be 6.5p (5.75p).

Also reporting today is Westland, the helicopter group. Profits should edge up from last time's £23.7m to about £24m, or £24.5m at the most. The group's order gap could continue until after 1994, when it is possible there will be no helicopter deliveries. So profits could stay at the current level for the next couple of years, until the EH101 reaches completion. Exceptional charges for redundancies are likely to be down but then so are operating profits. The final dividend will probably be held at 2.75p for an unchanged 4p total.

Carlton Communications, the television and video group, is likely to report tomorrow a rise of some 15 per cent in pre-tax profits for the year ended September to around £102m.

Expectations are that Thursday's pre-tax profit at Great Universal Stores – the mail-order, financial services and property group – will increase in line with the prediction by Lord Wolfson, chairman, at the annual meeting in October that profits would be "somewhat ahead". The market sees an improvement to £193m (£187m) in the half-year to September, with a relatively small increase on the 12.75p dividend recommended last time.

Compass Group, the catering and hospitals concern that recently bought the Travellers Fare snack shops business, is expected to report a rise of about £3m in annual pre-tax profit to £35m.

While both sides of the business have proved robust, questions at Thursday's meeting will focus on the impact of unemployment on staff canteens and the squeeze at private hospitals.

Looking ahead, Compass's penetration of the huge catering market in state hospitals and schools will be one of the issues, as will its plans for expansion overseas now that it seems unlikely to buy any part of its rival Gardner Merchant.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Kleinwort Development Fund, 20, Fenchurch Street, E.C., 12.45
Paterson Zochonis, Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, 12.00
BOARD MEETINGS:
Finals:
Airtours
Berisford Intl.
Faber Prest
Radio Clyde
Tunstall
Interims:
Acal
Compco
Cresswick
In Shops
Morris Ashby
Rolfe & Nolan
Scottish & Newcastle
South Wales Electricity
Total Systems
Vega
Wellman
■ TOMORROW
Finsbury Growth Trust, Great Eastern Hotel, Liverpool Street, E.C., 12.00
London & St. Lawrence Inv., 111, Cannon Street, E.C., 12.30
Photo-Me Intl., Church Road, Bookham, Surrey, 6.00
River & Mercantile Extra Income Trust, New Connaught Rooms, Great Queen Street, W.C., 12.00
BOARD MEETINGS:
Finals:
Carlton Comms.
Eurocopy
Grainger Trust
Ossory Estates
Persimmon
Sage
Sturge
Vaux
Interims:
Atkins
Avesco
BTP
Bogod
Campbell & Armstrong
East Midlands Electricity
M & G 2nd Dual Tst.
Mansfield Brewery
Safeland
Siebe
Unesco
Whitecroft
■ WEDNESDAY DECEMBER 9
Barry Wehmiller, 1, Finsbury Avenue, E.C., 10.00
TIP Europe, Butchers' Hall, 87, Bartholomew Close, E.C., 11.30
Verson Intl., National Exhibition Centre, Birmingham, 10.00
BOARD MEETINGS:
Finals:
Avon Rubber
Countryside Props.
Grainger Tst.
Greenalls
River Plate & Gen. Inv.
Interims:
Assoc. British Engineering
Maxwell
NMC
Phoenix Timber
Proteam
Stirling Group
Tems (John)
■ THURSDAY DECEMBER 10
Castle Communications, Alderman's House, Alderman's Walk, E.C., 12.00
China & Eastern Inv., 155, Bishopsgate, E.C., 11.00
Dickie (James), Royal Scottish Automobile Club, Blythswood Square, Glasgow, 12.00
Fleming Japanese Inv. Trust, 25, Copthall Avenue, E.C., 12.00
Manganese Bronze, 1, Love Lane, E.C., 12.00
Nesco Invs., Great Eastern Hotel, Liverpool Street, E.C., 12.00
Raglan Property Trust, 3, Cloth Street, E.C., 10.00
Scottish Metropolitan Property, Forte Crest Hotel, Bothwell Street, Glasgow, 10.30
Wardle Storeys, Brantham Works, Brantham, Manningtree, Essex, 9.30
BOARD MEETINGS:
Finals:
API
Archer (A.J.)
Compass
Eldridge Pope
Johnson & Firth Brown
Lynx
Whessoe
Widney
Interims:
Arlen
Booth Inds.
British Land
Eve
Fine Art Developments
Fuller, Smith & Turner
Great Universal Stores
Hunter Saphir
IWP Intl.
Joseph (Leopold)
London Merchant Secs.
Midlands Electricity
Moorgate Inv. Tst.
Moorgate Small Co's.
Pilkington
South Western Electricity
Stewart & Wight
Taunton Cider
■ FRIDAY DECEMBER 11
British Empire Securities & General Trust, Saddlers' Hall, Gutter Lane, Cheapside, E.C., 12.00
Molyneux Estates, 22-24, City Road, E.C., 11.00
Wolseley, Vines Lane, Droitwich, Worcester, 2.30
BOARD MEETINGS:
Final:
Southern Radio
Interims:
Barrow Hepburn
Osborne & Little
Parkland Textile

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Antofagasta 6p
Automated Security 2.25p
Chemical Banking Gtd. Fltg. Rate Nts. 1996 $131.22
Densitron Intl. 0.4p
Elys (Wimbledon) 1.5p
Enserch $0.20
Gerrard & National 6p
Higgs & Hill 1p
Lockheed $0.53
Mercury Offshore Sterling Tst. Europeam 0.114p
Do. O'seas. Fd. 0.21
Do. Pacific 1.753p
Do. UK Fd. 3.248p
Do. Reserve Fd. 3.922p
NFC Var. Vtg. 1.56p
Northern Rock Bldg. Soc. Fltg. Rate Nts. 2002 £2855.87
Paterson Zochonis 9.2p
Do. A 9.2p
Pochin's 21p
P & O Property 7½pc Deb. 1997/2002 £3.75
Racal Security 8pc Ln. 1992/96 0.5p
River & Mercantile Extra Income Fd. 1.98875p
Rockwell Intl. $0.23
Sanwa Finance Aruba Gtd. Step-up Fltg. Rate Nts. 2002 $493.16
Sears 1p
Securities Trust of Scot. 1p
Sketchley 1p
Spirax-Sarco 2.7p
3i Gtd. Fltg. Rate Nts. £264.17
■ TOMORROW
Cadbury Schweppes ADR $0.3379
Ferguson Intl. 4.25p
Finsbury Growth Tst. 2p
Fuji Intl. Finance $499.83
Green (E) & Partners 4.25p
Lon. & St. Lawrence Inv 3.84p
Natl. Australia Bank Sub. Var. Rate Nts. 2000 £272.58
National Westminster Var. Rate Cap. Nts. 2009 £257.28
Nationwide Bldg. Soc. Fltg. Rate Nts. 1995 £258.89
New Zealand Fltg. Rate Nts. 1996 $212.89
Reed Intl. 5pc Pf. 1.75p
Do. 7pc Pf. 2.45p
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. $220.49
Tenneco $0.40
■ WEDNESDAY DECEMBER 9
Anheuser-Busch $0.32
Boxmore Intl. 1.15p
Euro. Inv. Bank 9½pc Ln. 2009 £237.50
Glynwed Intl. 4.16p
Lon. Atlantic Inv. Tst. 0.78p
Office & Elect. Machines 0.1p
Treasury 10pc Ln. 1994 5pc
■ THURSDAY DECEMBER 10
Allied-Signal $0.25
Bank of Scotland 1.77p
Dai-Ichi Kangyo Bank Y4.25
Dun & Bradstreet $0.57
Exxon $0.72
Fuji Bank Intl. Finance Fltg./Fixed Rate Gtd. Bds. Var. Rate Nts. Y4.25
General Motors $0.20
Grace (W.R.) $0.35
Hammerson Prop. Inv. 3.5p
Do. A 3.5p
Honda Motor Y7
Houston Inds. $0.75
IBM $1.21
Leeds Permanent Bldg. Soc. 13⅝pc PIBS £3409.25
Manganese Bronze 1p
NEC Y5
Radamec 0.5p
Sakura Bank Y4.25
Sanwa Bank Y4.25
Sun Co $0.45
Texaco $0.80
Toray Inds. Y3.5
Do. E.D.R.'s Y3.5
Travelers $0.40
Utd. Technologies $0.45
USX-Marathon $0.17
Warner-Lambert $0.51
Yasuda Tst. & Banking Y3.5
■ FRIDAY DECEMBER 11
Aegis (Netherland Antilles) 9¼pc Gtd. Pf. 2004 0.0975p
BM 2.9p
Bracken Mines R0.30
Canadian O'seas. Packaging Inds. C$0.55
Chase Manhattan Fltg. Rate Nts. 1997 $132.71
Coles Myer A$0.08
DAB Invs. R7.87
East Daggafontein Mines R0.25
English China Clays 6.6p
Essex Water A 36.8p
Do. B 36.8p
FR 2.46p
Govett Oriental Inv. £0.40
Hongkong & Shanghai Banking Prim. Cap. Und. Fltg. Rate Nts. $63.19
Investors Capital Tst. 1.275p
Kleinwort Dev. Fd. 7.75p
Leslie Gold Mines R0.15
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. $222.40
Meggitt 1.25p
M & G Recovery Inv. Tst. 0.85p
Do. Geared Units 0.85p
Do. Package Units 0.85p
Monsanto $0.56
Nichii 5½pc Bds. 1998 Y139027
Pressac 1.65p
Suffolk Water 23.7p
Tarmac 3p
Temple Court Mortgages Class A1 Mort. Backed Fltg. Rate Nts. 2031 £271.01
Do. Class A2 Mort Backed Fltg. Rate Nts. 2031 £274.74
Unisel Gold Mines R0.10
Woolwich Bldg. Soc. Fltg. Rate Nts. 1994 £282.20
■ SATURDAY DECEMBER 12
Eaton Fin. 12½pc Ln. 2014 £6.25
Exchequer 12pc 2013/17 6pc
Hewden-Stuart 0.875p

PARLIAMENTARY DIARY

■ TODAY

Commons: National Heritage, Attorney *General's and Overseas* Development questions. Social Security Bill, remaining stages.
Lords: Debate on Liaison Committee report. Damages (Scotland) Bill, third reading. Bankruptcy (Scotland) Bill, committee. Debate on the National Association of Citizen's Advice Bureaux report "A Charter for All?"
Committees: Home affairs, 11.30. Subject: The work of the home office. Witness: Kenneth Clarke, home secretary. Public accounts, 4.30. Subject: Quality of service. Witnesses: Sir Michael *Partridge, permanent* secretary, department of social security and M Bichard, chief executive, Benefits Agency. *Home affairs* sub-committee on immigration advice, 4.45. Subject: Delays in the immigration and nationality department. Witnesses: Charles Wardle, home office minister, FCO and Lord Chancellor's Office officials.

■ TOMORROW

Commons: *Health* questions. Questions to the Prime Minister, 3.15pm. Debate on unemployment, opened by Labour. Mink Keeping Order.
Lords: Agriculture Bill, committee. Child Support Fees Regulations. Estate Agents (Specified Offences Amendment) Order. Gas (Exempt Supplies) Bill, third reading.
Committees: Trade and industry, 10.30. Subject: British energy policy. Witnesses: European Commissioner for Energy (at 10.30) and Mobil North Sea (at 12 noon).

■ WEDNESDAY

Commons: Environment questions. Debate on the *Common Fisheries Policy.* Sea Fish (Conservation) Bill, Lords amendments.
Lords: Debates on Hong Kong and China and the Sudan.
Committees: Environment, 9.30. Subject: Forestry and the environment. Witnesses: National Trust, the Woodland Trust and the Association of County Councils. Transport, 10.00. Subject: The future of the *railways. Witnesses:* Representatives of Banverket and SJ (Swedish railway companies), DB (at 10.45), SNCF (at 11.30), Lord Marsh (at 12.15). Social security, 10.30. Subject: Public expenditure on social security. Witness: Peter Lilley, social security secretary. Trade and industry, 10.30. Subject: British energy policy. Witnesses: Scottish Power (at 10.30), Association of British Mining Equipment Companies (at 11), British Nuclear Fuels (at 12 noon). Welsh affairs, 10.30. Subject: The work of the *Welsh Office. Witness:* David Hunt, Welsh secretary. Transport, 4.00. Subject: The future of the railways. Witnesses: Sir Peter Parker, *former* BR chairman and Senor Kogan, Argentine railway restructuring unit (at 4.30). Employment, 4.15. Subject: Employment consequences of British Coal's proposed programme of pit closures. Witness: Gillian Shephard, employment secretary. Health and social security, 4.15. Subject: Community care – transfer of funding to local authorities. *Witnesses: Association of* County Councils and Association of Metropolitan Authorities. Public accounts, 4.15. Subject: Irregular payments to MoD staff. Witness: Sir Christopher France, permanent secretary, MoD. Treasury and civil service, 4.15. Subject: Implementation of interest rate changes. Witnesses: Brian Pitman, chief executive, Lloyds Bank (at 4.15), Council of Mortgage Lenders (at 5.00). Home affairs, 4.45. Subject: Domestic violence. Witness: Lord Chancellor's department *officials.*

■ THURSDAY

Commons: Treasury questions. Questions to the Prime Minister, 3.15. Estimates debate on coastal zone protection and planning. Banking Co-ordination (Second Council Directive) regulations. Package Travel, Package Holidays and Package Tours regulations.
Lords: Crown Proceedings (Armed Forces) Bill, report. Criminal Justice Bill, third reading. Agriculture Bill, committee. Overseas Companies and Credit and Financial Institutions (Branch Disclosure) Regulations. Companies Act (Disclosure *of Branches and Bank* Accounts) Regulations. Companies (Fees) (Amendment) Regulations.
Committees: National Heritage, 10.30. Subject: Privacy and media intrusion. Witness: James Bishop, chairman, Association of British Editors. Foreign affairs, 4.00. Subject: Role of the United Nations. Witness: Lord Owen.

■ FRIDAY

Commons: Private Members' Business. Local Government (Overseas Assistance Bill, second reading.
Lords: Not sitting.

FT CONFERENCES

THE PETROCHEMICAL INDUSTRY - STRATEGIES FOR SURVIVAL
London, 8 & 9 December

This year's conference will focus on restructuring and rationalisation and discuss the role of mergers, acquisitions and strategic alliances. Speakers taking part include: Mr Ronnie Hampel of Imperial Chemical Industries; Mr Peter Kwant of Shell International Chemical Company; Mr Stephen Pettit of BP Chemicals; Dr Italo Trapasso of Montecatini; Mr Mohammed Al-Kathiri of SABIC Marketing Europe; Dr Pramote Chaiyavech of National Petrochemical Corporation and *Mr Terje Vareberg of Statoil.*

WORLD PULP AND PAPER
London, 14 & 15 December

The conference arranged by the Financial Times in association with the Confederation of European Paper Industries will review the long-term prospects for the industry and assess how corporate strategies are changing in a more complex and competitive environment. New horizons and new opportunities opening up for the future will also be assessed. Speakers include Dr Bo Berggren of STORA, Mr Alain Soulas of Arjo Wiggins Appleton, Mr Erling S Lorentzen of Aracruz Celulose, Mr Dick Eykel of N.V. Royal KNP, Professor Eduard Akim of the All-Russian Pulp and Paper Research Institute and Mr H C Bowen Smith of Dillon, Read & Co .

EUROPE THE WAY FORWARD
London, 10 & 11 February

This major business forum, arranged by the Financial Times in association with Les Echos, will focus on the way forward for Europe. The conference takes place at a critical moment in the development of the European Community, in the aftermath of the monetary crisis and just after the January '93 deadline for the opening of the Single Market. Mr Pierre Bérégovoy, Prime Minister of France, Dr Hans Tietmeyer, Deputy Governor of the *Deutsche Bundesbank, Mr Dominique Strauss-Kahn,* French Minister for Industry and Foreign Trade and Mr Arthur Dunkel, Director- General of GATT, are among the eminent panel of speakers who will share their views on a whole series of questions on Europe's future.

THE LONDON MOTOR CONFERENCE
London, 22 February

The aim of this year's meeting is to discuss the challenges and opportunities facing the European motor manufacturing and components industry and review developments in distribution and franchising. Speakers include: Mr John Towers, Group Managing Director of *Rover Group Ltd; Mr Trevor Bonner, Managing Director* of Automotive Drive Line Systems Division at GKN plc and Professor Garel Rhys, OBE, Professor of Motor Industry Economics at Cardiff Business School.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-814 9770 (24 hr answering service) Telex: 27347 FTCONF G, Fax: 071-873 3975

CONFERENCES & EXHIBITIONS

DECEMBER 8 & 9
The Petrochemical Industry
This year's conference will focus on restructuring and rationalisation, consider the challenge of making operations more competitive and discuss the role of mergers, acquisitions and strategic alliances.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

DECEMBER 10
Spain: Getting A Foothold & Winning Market Share
Seminar at the London Chamber for executives planning to expand Spanish operations or entering for the first time. With market information on regional, cultural & commercial differences together with practical advice on contracts, agreements and payment.
Contact: Ms Maung, LCCI.
Tel: 071 248 4444.
LONDON

DECEMBER 14
WEFA International Automotive Roundtable
At The Hyde Park Hotel, Knightsbridge, London. Speakers from international strategic advisors, The WEFA Group, IntAuto and BMW cover the issues that confront the automotive industry in Europe, North America and Japan.
Call Gibson Bishop, Marketing Director, WEFA Ltd., on 071-631 0757 or fax on 071-631 0754.
There is no charge for participants.
LONDON

DECEMBER 14 & 15
World Pulp & Paper
Arranged by the FT in association with the Confederation of European Paper Industries, international industry leaders will discuss long-term prospects for the industry and assess how corporate strategies are changing in a more complex and competitive environment.
Enquiries: Financial Times.
Tel: 071-814 9770
Fax: 071-873 3975/3969
LONDON

DECEMBER 16
National Concertation On Credit Counselling
For all interested in consumer credit. Hear how Consumer Credit Counselling Services work in the US and a similar service planned for the UK.
Speakers from USA, Barclaycard and Registry Trust Cost £25.
Contact: Malcolm Coles.
Tel: 071-636 5214 Fax 071-580 0016.
LONDON

JANUARY 11 1993
Mental Health At Work
Sponsored by the Department of Health, this conference is aimed at chief executives, personnel managers, occupational health professionals and health and safety representatives and will present the business case for corporate mental health policies.
Contact: Professional Briefings.
Tel: 071-233 8322.
LONDON

JANUARY 19 1993
Protection & Enforcement Of Creditors' Rights
This conference will focus upon insolvency law from the creditors point of view, both secured and unsecured. It will analyse the *problems facing creditors* in enforcing their security and preventing their security from being jeopardised.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited.
Tel: 071-637 4383. Fax 071-631 3214.
LONDON

JANUARY 25 1993
City Of London Central Banking Conference
Central Bankers, investment bankers and authoritative analysts examine issues made even more compelling by the events of Autumn 1992 at a conference sponsored by Central Banking, N M Rothschild and Cityforum with the support of the World Gold Council.
Information from: Marc Lee.
Tel: 0225-466744. Fax 0225-442903.
LONDON

JANUARY 26 1993
Pensions – The Strategic Issues Roundtable
Finance directors, personnel chiefs, pensions business leaders and politicians discuss solutions to the vital longer term problems in the British Pensions scene. Sponsored by Cityforum, *Pensions* World, Oppenheimer Capital and EBS.
Information from: Lindsey Neil.
Tel: 0225-466744. Fax: 0225-442903.
LONDON

JANUARY 27 1993
Constructing Tax Efficient Benefit Packages
The conference will consider the tax and social security implications where UK employees are on secondment to Europe – with in depth discussions on Belgium, France, Holland, Germany and Switzerland.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited.
Tel: 071-637 4383. Fax: 071-631 3214.
LONDON

JANUARY 27 1993
Latin American Integration Conference
Sponsored by Canning House and the EC Commission this conference looks at the impact of integration initiatives on the countries and regions of Latin America and at the prospects for European industry and finance. An impressive panel contribute.
Information from Lindsey Neil.
Tel: 0225-466744. Fax: 0225-442903.
LONDON

JANUARY 27 1993
Making It Happen
The ability to manage complex change programmes is now recognised as the key to successful implementation of business strategies. The one-day conference led by Wendy Pritchard, uniquely brings together partnerships of senior executives and consultants who have worked together to create business success.
Details: Mrs Jo Mainee, Strategic Planning Society. Tel: 071-636 7737.
LONDON

FEBRUARY 3 1993
Outsourcing Information Technology
Legal Issues of Facilities Management of Computing and Telecommunications
Concepts; business perspective; contractual, legal & licensing problems; personnel issues and employment law; how to deal with problems; incorporating telecommunications. CCB 5 hours.
Contact: Linda McKay, IBC.
Tel: 071-637 4383. Fax: 071-631 3214.
LONDON

FEBRUARY 11–12 1993
***6th International Bank Card* Conference**
"Keeping Pace with the Changing Cardholder". Find out how cardholder behaviour is changing... how are card issuers and associations reacting? Topics include: bank vs. non-bank card issuers, fraud and risk management. Speakers from GM, GE, Visa International.
Contact: Catherine O'Reilly, Lafferty Conferences. Tel: (+353 1) 718022.
Fax: (+353 1) 713594.
LONDON

FEBRUARY 17 1993
Administrative Receivership
This comprehensive workshop is tailored to provide senior insolvency personnel with a detailed analysis of the law, *practice and procedure of administrative* receivership. The workshop will include several participatory case studies.
Contact: Vicki Goffin, IBC Legal Studies and Services Ltd. Tel: 071-637 4383.
Fax: 071-631 3214.
LONDON

FEBRUARY 18 1993
IT Investment Appraisal
This one day conference is devoted to improving corporate performance in the critical area of IT investment appraisal. The event draws on the practical experience of managers from leading organisations, and reviews a variety of the latest methods and tools.
Contact: Business Intelligence.
Tel: 081-544 1830. Fax: 081-544 9020.
LONDON

FEBRUARY 18/19 1993
Custodial Services: *Differentiate Or Die!*
In today's competitive environment, this conference, by IBC Financial Focus, will look at ways in which the Custodian can differentiate his products and services to gain competitive advantage.
Contact: Kathryn Crellin.
Tel: 071-637 4383.
LONDON

FEBRUARY 22 1993
London Motor Conference
The conference will look at the challenges and opportunities facing the European motor manufacturing and components industry and review developments in distribution and franchising.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

FEBRUARY 23 & 24 1993
Cable & Satellite Broadcasting
This year's meeting will assess how multi-channel television delivered by cable & satellite is continuing to expand, the onward march of television choice for viewers and the business opportunities opening up.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

FEBRUARY 26 1993
Regulation 1993 – Latest Developments for IMRO and *LAUTRO Members*
Practical guidance for members and their advisers. Topics include Clucas Report, PIA, Maxwell affair, New training regulations. Optional sessions for IMRO and for LAUTRO. CCB 4 hours.
Contact: Athina Peters, IBC.
Tel: 071-637-4383. Fax: 071-631 3214.
LONDON

MARCH 2 & 3 1993
European Transport In The 90s
The conference will examine a broad range of policy issues for liberalising and harmonising *transport* in Europe, financing infrastructure improvements and the development of pan-European integrated transport systems.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

MARCH 3 1993
***Insider Dealing – Implications* Of The Criminal Justice Bill**
An essential briefing for lawyers, finance directors, company secretaries and compliance officers. Panel includes: Cameron Markby Hewitt, HM Treasury, Paribas, Morgan Grenfell, Stephenson Harwood, Slaughter & May.
Contact: *Linda McKay, IBC.*
Tel: 071-637 4383. Fax: 071-631 3214.
LONDON

INTERNATIONAL

JANUARY 27 & 28 1993
Suter + Suter Pharma Symposium '93
"Turning Strategy Into Reality". The symposium includes speeches, workshops and visits to pharma companies in Basel.
For a full conference programme, please contact: Suter + Suter Pharma, Mr. Rolf Lüthi or Mr. Marcel Hug, P.O. Box 632, CH-4010 Basel.
Phone: +41 61 275 75 75.
Fax: +41 61 275 74 74.
BASEL

FEBRUARY 10 & 11 1993
Europe – The Way Forward
The aim of the Forum is to look at growth prospects in Europe, the framework for economic and monetary policies, as well as trade and competition policies and the industrial challenges and strategies.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
PARIS

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LEGAL NOTICES

In the High Court of Justice
Chancery Division No. 0011637 of 1992
IN THE MATTER OF
NATIONAL EXPRESS GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN, that a Petition was on the 24th day of November 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company. And Notice is Further Given that the said Petition is directed to be heard before Mr. Registrar Buckley at the Royal Courts of Justice, Strand, London WC2 on Wednesday the 16th December 1992. Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the Confirmation of the said reduction of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.
Dated this 7th day of December 1992.
ASHURST MORRIS CRISP, Broadwalk House, 5 Appold Street, London EC2A 2HA.
Reference: SAW/9637K.
Solicitors for the said Company.

Notice of Appointment of Joint Administrative Receivers
MID VALLEY INVESTMENTS
Registered number: 2048481. Nature of business: Investment Company. Date of appointment of joint administrative receivers: 30 November 1992. Name of person appointing the joint administrative receivers: Barclays Bank Plc. JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART, Joint Administrative Receivers (Office holder nos 1768 and 2530) Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ.

LEGAL NOTICES

IN THE MATTER OF THE INSOLVENCY ACT 1986
AND
IN THE MATTER OF
VOGUE DOUBLE GLAZING LIMITED
(COMPANY NO. 1938971)

Notice is hereby given pursuant to Section 98 of the Insolvency Act 1986 that a Meeting of the Creditors of the above named Company will be held at the offices of SINCLA & COMPANY, Chartered Accountants, 49 Queen Victoria Street, London, EC4N 4SA on Thursday, 10th December 1992 at 2.30 p.m. for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the Company's creditors may be inspected free of charge at the offices of SINCLA & COMPANY, 49 Queen Victoria Street, London EC4N 4SA, between 10 a.m. and 4 p.m. on 8th and 9th December 1992. Creditors must submit proof of debt before voting and, unless they surrender their security, secured creditors must give particulars of their security and its value.
Dated this 26th day of November 1992
By Order of the Board
J N Clifford, Director.

FINANCIAL TIMES SURVEY

ISRAEL

Monday December 7 1992

Economic trends in Israel and the Palestinian areas; Russians' impact — **Page 2**

Tourism revives; industry, privatisation and banking; a chocolate story — **Page 4**

After decades of war, Israel feels that events are moving its way on the diplomatic and economic fronts. **Hugh Carnegy** describes the mood in the Jewish State as it tackles mass immigration and holds peace talks with its Arab neighbours

Stirrings of optimism

IN ISRAEL, which has been in a constant state of conflict throughout its four decades as a state, the years have taught the wisdom of placing prudence before optimism.

But as 1992 draws to a close, there are many Israelis who dare to imagine that this has been a watershed year, when the country at last embarked on a path of peace with its Arab neighbours and moved towards well-founded prosperity.

This powerful and enticing vision is by no means assured, nor universally shared: the Washington-based Middle East negotiations not only carry no guarantee of success, they are opposed by Israel's vocal right-wing as containing the seeds of a dangerous sell-out.

A surge in export-oriented growth this year is just a fragile beginning in the daunting task of economic reform required if the country is to absorb successfully hundreds of thousands of immigrants from the former Soviet Union who have arrived since 1989.

But it is the belief that the Jewish state stands on the threshold of opportunities unprecedented since its violent inception in 1948 that drives the government of Mr Yitzhak Rabin, the prime minister who led his Labour party to a landmark election victory in June.

The election produced a political sea-change. Mr Rabin, the army chief of staff during the 1967 Six Day War, succeeded where Labour had hitherto failed since its chief opponent, the hardline Likud party, first came to power in 1977. He persuaded Israelis to vote for a party committed to withdraw from Arab territories captured in 1967 in exchange for peace.

The Likud, under former Prime Minister Yitzhak Shamir, and its far-right allies argue that there was no great popular swing away from the commitment never to yield the West Bank, Gaza Strip and the Golan Heights. Indeed, Labour was carried to victory largely by the votes of Israeli Arab citizens and big support from the new immigrants who above all blamed the outgoing government for their harsh economic predicament.

Nevertheless, it also appeared that many Israelis no longer believed in the Likud's uncompromising stance in an era when the pro-Arab influence of the Soviet Union had disappeared and many Arab countries had, in effect, taken the same side as Israel in the 1991 Gulf conflict with Iraq.

Likud's representation was slashed from 40 to 32 members of the Knesset. Labour won 44 seats and was able to build a coalition with the left-liberal Meretz alliance and the ultra-orthodox Shas religious party that excluded Likud for the first time in 15 years.

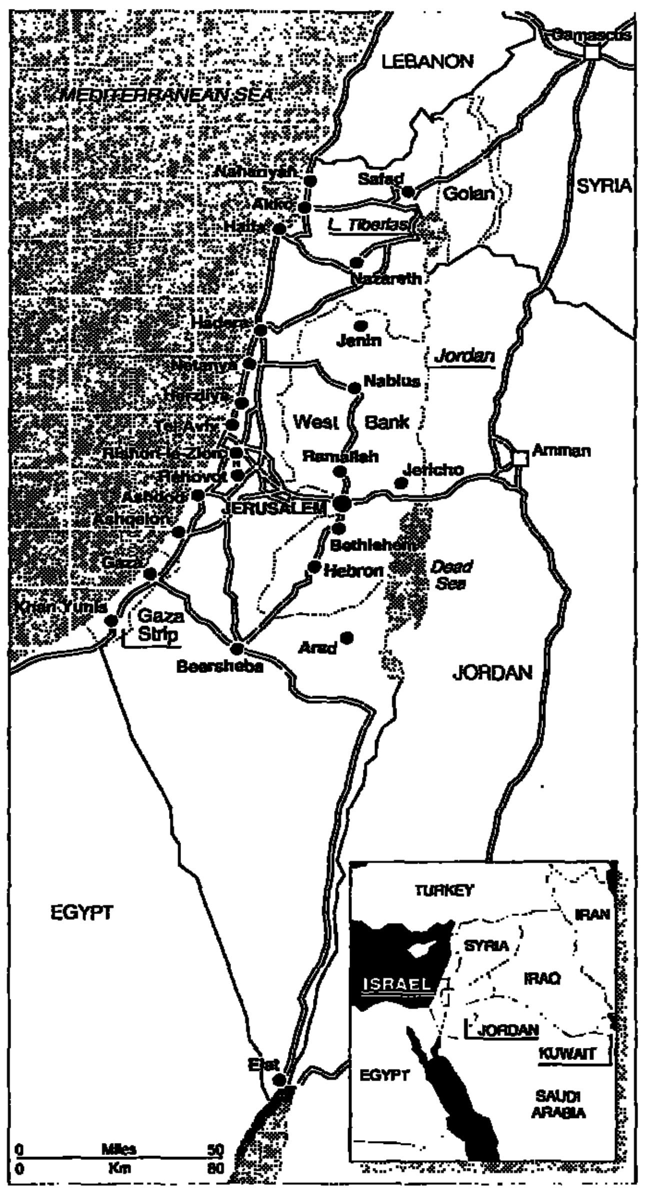
In his inaugural address to the Knesset, Mr Rabin made it clear he intended to pursue a very different path from the siege mentality that characterised Mr Shamir's leadership. "We must overcome the sense of isolation that has held us in its thrall for almost half a century," he said. "We must join the international movement towards peace, reconciliation and cooperation that is spreading across the entire globe these days – lest we be the last to remain, all alone, in the station."

His priority was to breathe new life into the Middle East peace talks launched in October 1991 in Madrid, based on his government's acceptance of the "land for peace" formula contained in UN resolution 242 and demanded by the Arabs as the foundation of any settlement.

Five months later, the process has not moved on much. The eighth official round since Madrid of the core bilateral talks with Syria, Jordan, Lebanon and the Palestinians is due to start today, but significant progress looks unlikely at least until the new Clinton Administration is in place.

Talks with the Palestinians are bogged down in disputes over the scope of power Israel will hand over to a Palestinian authority in the West Bank and Gaza during an interim stage of self rule preceding negotiations on a final settlement over the territories. Mr Rabin has offered Syria a partial withdrawal from the Golan Heights, but Syria has baulked at signing even a joint agenda for further talks without clear Israeli commitments to a full withdrawal.

The disputes with Jordan and Lebanon appear more susceptible to quick agreement, but are dependent on progress respectively with the Palestinians and Syria. Meanwhile, in Israel, Lebanon and the occupied territories, radical Arab groups hostile to the talks have stepped up acts of violence aimed at upsetting the process; right-wing Israeli groups, including Jewish settlers in the occupied territories, are also mobilising their opposition. Mr Rabin has warned that the opportunity for peace must be seized within the next two or three years or may lapse, to be replaced by the risk of non-conventional war in the region. But he is not yet pessimistic. "I believe that we are on a path of no return. The reality of the international situation, the regional situation, the genuine need of nations and countries, is to arrive at a resolution of the dispute," he said last month.



The perception that peace is possible has had an important bearing on the other priority of the government – the economy. The advent of 450,000 immigrants since 1989 – a 10 per cent leap in the population – and their continued arrival at a pace of some 70,000 a year has put a huge onus on the economy to produce rapid and sustained growth.

This year, the growing anticipation of political stability has stirred the interest of both domestic and foreign investors. The Tel Aviv Stock Exchange has boomed. Tourism is at record levels. The business sector has grown by around seven per cent – with exports rising by 14 per cent. Real GDP growth will be around six per cent, giving per capita growth of up to three per cent. Inflation is nearing single figures for the first time since Israel was plagued by three-digit inflation in the early 1980s.

Lifeblood of an expanding economy: the first view of Israel for some of the 450,000 Jewish refugees who have arrived from the Soviet bloc

But unemployment, at around 11 per cent of the workforce, is also at record levels. It has resulted in a slowdown in immigration rates which has undoubtedly given the economy some valuable breathing space to adjust to the inflow. But if Israel is to fulfil its most fundamental Zionist commitment – to attract as many immigrants as possible – it must produce rapid growth over a prolonged period.

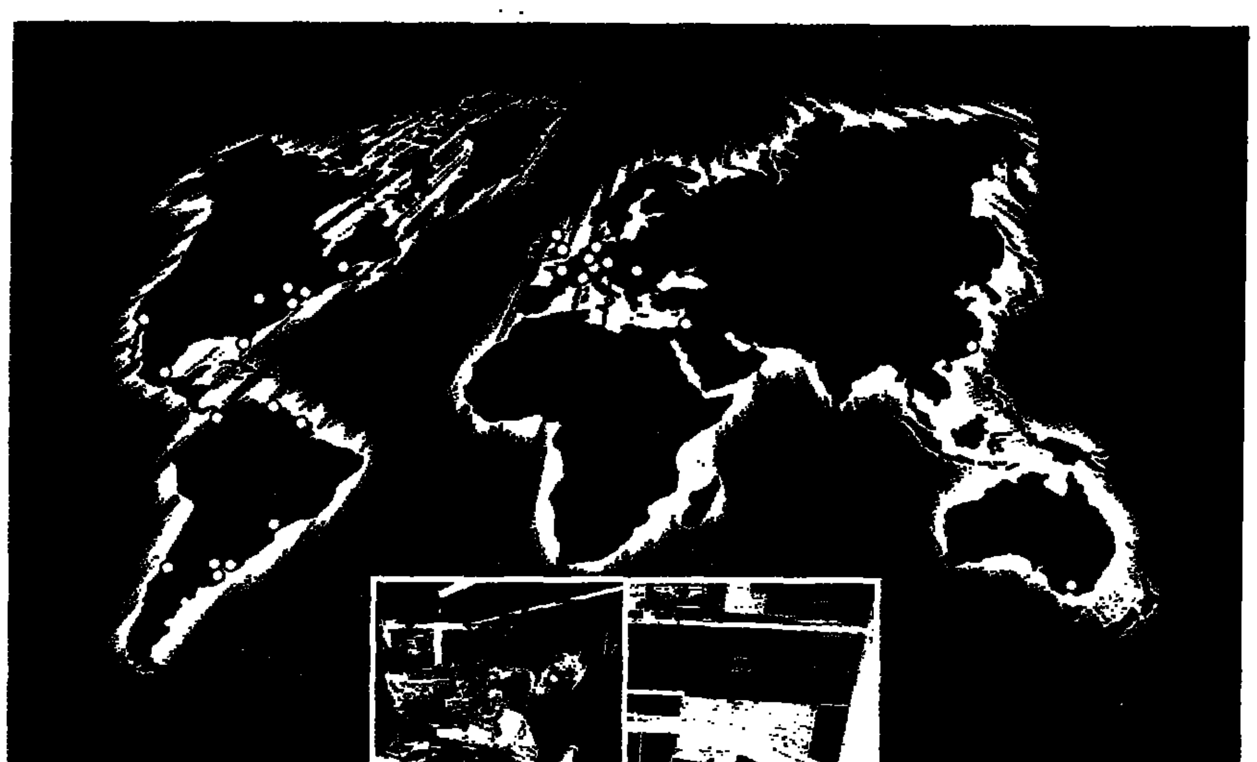
This has been achieved before, in the 1960s, when Israel's per capita income was similar to Japan's. Since then, however, the Israeli economy has largely stagnated. Despite huge injections of US aid, currently running at $3bn a year, Israeli GDP per capita of around $10,000 a year has been overtaken by countries such as Hong Kong and Singapore.

Mr Rabin's government has committed itself to dismantle much of Israel's traditional state control over the economy to re-inject growth. It says it will conduct a wide programme of privatisation and liberalisation, will invest heavily in infrastructure while keeping a tight rein on public spending. It is looking to extend Israel's 1975 free trade agreement with the EC to cement links with what has become the country's main trading partner.

There remains considerable scepticism over whether the government will live up to its own rhetoric on reform, particularly given Labour's historical role in building the state edifice and its continued close links with the powerful Histadrut trade union federation. While the privatisation programme has yet to see the government shed control of a major company, last month two new government companies were founded to build a highway and to administer the bank debts of the moshavim collective farms.

Nevertheless Mr Jacob Frenkel, the governor of the Bank of Israel, says he believes the peace process is moving in the right direction. He says the peace process could give its efforts an immeasurable boost by encouraging investment and opening up new trade opportunities. "If indeed peace breaks out we can envisage a dam cracking and things happening in a big way."

In both political and economic terms, therefore, a great deal is riding on a successful outcome to the peace negotiations. That in itself gives Mr Rabin more incentive to push them forward. If he succeeds, 1992 will indeed be a turning point in Israel's history.



Bank Leumi Dealing Room, Tel Aviv

Bank Leumi Computer Center

Economy is reinforced by mass immigration

Three fat years

GIVEN the recessionary gloom in Western Europe and the US, there is understandable satisfaction in Israel that the country will *show real growth this* year of some six per cent, the third year running the economy has expanded by more than five per cent, writes **HUGH CARNEGY.**

The engine of this growth has been mass immigration from the former Soviet Union which has since late 1989 totalled some 450,000 – increasing the population by no less than 10 per cent.

This huge inflow has at once posed great problems and offered great opportunities for the economy. The newcomers have pushed up unemployment to record levels at more than 11 per cent of the workforce. But the highly-educated immigrants are seen as a precious resource for generating a period of sustained, export-oriented growth the like of which Israel has failed to achieve since the early 1970s.

This year, a sense of optimism that this can be achieved has been augmented by the prospect of regional stability held out by the Middle East peace negotiations, and the advent of the Labour-led government which promises growth-oriented policies.

There remain nonetheless *big question marks. Successive* Israeli governments have for the best part of a decade promised to reform the heavily state-dominated and aid-dependent economy but have largely failed to deliver.

For the moment, however, some important indicators are pointing in the right direction. Unlike 1991, when per capita growth was zero, real GDP growth per capita will grow by up to three per cent. Inflation has tumbled from 18 per cent last year and may be in single figures for the whole of 1992 for *the first time in years. It is* expected to stabilise at around nine per cent in 1993. Exports, which fell in 1991, have grown by an encouraging 14 per cent.

A government-fuelled construction boom accounted for as much as 50 per cent of growth both in 1991 and in 1992. This has now peaked, reined in partly by the new government, and will result in lower growth rates in 1993, with business sector growth forecast in the 1993 budget at four per cent after seven per cent this year.

But, assuming immigration remains steady at around 100,000 a year, the government expects this to surge significantly again in the subsequent two years. It forecasts that exports will rise by more than eight per cent for each of the next three years.

During that time, the state will spend $8bn on infrastructural programmes. Unemployment is seen falling to nine per cent by 1993. This year, the growth in jobs in the economy slowed despite the growth in output. This worries many in the government. "Some ministers want me to pay to create more jobs artificially," says Mr Avraham Shochat, the finance minister. "But we would have to carry the burden of this on our backs for years. It would prevent real growth in the economy."

Instead, the intention is to bring down the budget deficit from 3.2 per cent of GDP next year to close to zero in 1995. The expanded foreign borrowing programme built into the government's planning is underpinned by $10bn in US loan guarantees spread over five years approved by Washington this autumn.

Optimism is reflected in a dizzying bull run on the Tel Aviv Stock Exchange (TASE) *and growing signs of interest* by foreign investors. The TASE equity index is up 65 per cent this year, and has been rising since 1990. A flurry of new issues has taken the capitalisation of the equity market, at $28bn, ahead of the traditionally dominant government bond market for the first time.

In September, the First Israel Fund aimed at foreign investors was launched by four US investment houses. Others are set to follow. "Suddenly foreign brokerage and investment houses have discovered Israel," *says Mr David Friedman, chief* executive of Bank Leumi. "They are attracted by the performance of the TASE and industry, the expectations surrounding the peace process, the change of government and *the approval of the US guarantees."* There are, however, still plenty of factors at play which fuel the fears of the sceptics.

The country *still* relies heavily on unilateral transfers of funds. These totalled more *than $6bn in 1991 – the major*ity made up of US military and economic grant aid – or a whopping 10 per cent of GDP. Without them a current account balance of payments deficit of $850m would have been of *unmanageable proportions.*

With the deficit set to grow as investment rises, Israel will be extremely vulnerable to any cuts in US foreign aid programmes under the Clinton administration.

On the other hand, despite the recent increase in foreign *investor interest*, the uncomfortable fact is that total net foreign investment has been negative in three of the last four years – to the tune of $460m in 1991.

More than two thirds of eco*nomic activity in Israel is still* accounted for by the public sector, government-owned companies or government-controlled institutions, a far higher proportion than, for example, in Israel's main European trading partners. The export-oriented private sector is relatively small.

"That part of the economy works – but it is the only part of the economy that works," says Mr Alvin Rabushka, an economist from California's *Stanford University who is a* harsh critic of Israel's economic structure.

The government has enacted significant reforms in the capital markets and begun a privatisation programme. But many *doubt the Labour govern*ment's ability to achieve such reforms.

The defence industries offer only one example of several areas which require expensive and difficult reform – but which are bastions of the Histadrut trade union federation, to which Labour is affiliated.

Mr Jacob Frenkel, the Governor of the Bank of Israel, is one of those who believes the Israeli economy is "well positioned to take off". But, as he also stresses, there is a very *long way to go.*

Arabs seek economic powers

Area of conflict

IF NEGOTIATORS at the Middle East peace talks in Washington are to succeed, they will have to include the resolution of an economic conflict which is not much less fraught than the political one.

Along with the other levers **of power, Israel's military administration in the West Bank and Gaza Strip has, since the occupation began in June 1967, exercised what Mr Hisham Awartani, a prominent Palestinian economist, has described as "the complete usurpation of control on all *facets of economic life in both* territories".**

It is true that the early years of the occupation saw a dramatic rise in per capita income and living standards in both the West Bank and Gaza. These two former backwaters of the Jordanian and Egyptian economies had suddenly been exposed to a developed Israel.

Mainly due to the availability of work in Israel which West Bankers and Gazans had previously not had access to, the two areas grew in prosperity. However, tight Israeli restrictions on indigenous economic development within the territories, for reasons ranging from security policy to suppression of potential competition for Israeli producers, have left them economically fragile.

In recent years, this has been exacerbated by the Palestinian uprising, or intifada, against Israeli rule which erupted in late 1987, and sub*sequently the 1990-91 crisis* over Iraq's invasion of Kuwait. The protest strikes and disruptions of the intifada have damaged many Palestinian businesses; the Gulf crisis hit exports and cut remittances.

The West Bank and Gaza have a combined population of some 2m people, compared *with Israel's 5m. But the terri*tories' combined GNP is estimated at around only $2bn compared with more than $50 bn for Israel. Some 40 per cent of Palestinian GNP is accounted for by employment in Israel, mainly in the construction sector.

Services, including tourism, construction and agriculture, make up the bulk of domestic production in the West Bank and Gaza. According to figures compiled in a recent report by the American Academy of Arts and Sciences, industry comprises only 7.7 per cent of GDP in the West Bank and 13.7 per *cent in Gaza. The mainstays* are clothing, shoes, pharmaceuticals, furniture and other light industries. Many businesses subcontract on behalf of Israeli companies: only 30 companies are thought to employ more than 50 people.

Palestinians complain that the military administration *has consistently blocked the* issue of manufacturing licences; barred the export of agricultural products to Israel; limited exports to third countries; expropriated and limited land use. Two other sources of complaint are the military's punitive tax collection and restrictive water allocations. **The American Academy report says 83 per cent of West Bank ground water is used by Israel or Israeli settlers.**

In the peace negotiations, the Palestinians are seeking to win control over these tools of *economic management. While* water and land are especially sensitive, Israel has signalled its willingness to help in the economic development of the territories. It sees benefits for both sides in the growth of the Palestinian economy and wants to reduce its dependence on cheap Arab labour.

Aid from the EC and the US **to the West Bank and Gaza amounts to more than $25m a year and much more is anticipated if there is a political settlement. However, there are no significant banking or credit institutions in the West Bank and Gaza to provide a flow of investment capital. Access to *Israeli and Jordanian markets* and ports would also be vital.**

Hugh Carnegy

Diplomats see opportunities – and new perils

In unknown territory

THE new world order of the 1990s tempts Israeli diplomacy with unprecedented opportunities. The accompanying disorder haunts it with unprecedented dangers.

The good news for Israel is that its Arab neighbours can no longer rely on the Soviet Union to back them in international forums, to supply them with advanced weapons or to bail them out if they overbid their hand. They have little choice but to ingratiate themselves with the US.

Operation Desert Storm cut President Saddam Hussein of Iraq's army, the most powerful in the Arab world, down to size and divided Israel's potential enemies. The danger of unconventional Iraqi attack, or of a *coordinated eastern front, has* receded.

For the first time since the 1948 war over Israel's foundation as a state, all the parties directly involved in the Arab-Israeli conflict are negotiating. *And since the June elections,* Israel has a government which has staked its political capital on making peace, unlike its predecessor under Mr Yitzhak Shamir which appeared interested in the process largely as an exercise in public relations.

The bad news from Israel's perspective is that the collapse *of central control in the former* Soviet Union has threatened an international supermarket in nuclear know-how and materials. The taboo of non-proliferation is eroding and other suppliers – China and India among them – are joining the rush. Israel's most dedicated foe, the Islamic regime in Iran, *has the money and the* motivation to buy into the nuclear family and break Israel's regional nuclear monopoly.

At the same time, the end of the Cold War has reduced mainstream demand for sophisticated weapons and the recession has made it very difficult *for American and other West*ern producers to turn away Arab business. If the choice is between thousands of aerospace jobs in St Louis, Missouri, and upsetting the Middle East balance, the jobs tend to win.

The peace process itself has stimulated hardliners on both *sides. Islamic fundamentalists* and Palestinian rejectionists have stepped up attacks, with everything from knives and molotov cocktails to sub-machine guns and car bombs both within Israel and in the occupied territories. The *Shi'ite* Hizbollah, inspired actively by Iran and passively by Syria, is harassing Israel and its proxy militia in southern Lebanon and, occasionally, in Israel itself.

On the Israeli side, the Jewish settlers in the West Bank and Gaza Strip have seized on *the government's readiness for*

Iran, Israel's fiercest foe, has the cash and the will to break Israel's nuclear monopoly

at least partial withdrawal on the Golan Heights *to revive* their campaign against territorial compromise on any front. And the most extreme are more disposed to take the law into their own hands.

Mr Yitzhak Rabin, the Prime *Minister, will not be put off* easily. "I believe that we are on a path of no return," he told a Tel Aviv University audience in mid-November. He remained confident that peace would be reached, even if it took another year or two.

"The reality of the international situation, the regional *situation, the genuine need of* nations and countries, is to arrive at a resolution of the dispute," he argued. "Therefore, even if my position was not received enthusiastically, certainly not in regard to the Golan Heights, I am convinced that we must continue on our way.

"We *must distinguish* between dealing with terror and continuing, even as we grit our teeth, with the negotiations, and not giving those who wish to sabotage the peace process by means of terror the *pleasure of stopping the negotiations.*"

On a broader canvass, Mr Yossi Beilin, the deputy foreign minister, defined the object of Israeli diplomacy as "to use the new situation in order to become a more welcome member of the international club".

The peace process has already yielded dividends. Israel now has diplomatic relations with 120 countries, the highest number in its 44 year history. Before the 1967 war, the figure was 96. After the *1973 Yom Kippur war, it fell to* a low of 62.

Mr Beilin mapped Israel's course: closer integration with the European Community; a constructive role in the rebuilding of the former Soviet republics; cooperation with the new US administration; a concerted international effort to restrict the transfer of nuclear capability, which he described as a "cloud hanging over us all the time".

Although the team surrounding President-elect Bill Clinton are not exactly strangers in Jerusalem, Israel is bracing for a change of emphasis on the part of its staunchest ally and *most generous benefactor.* Mr Binyamin Netanyahu, the former deputy foreign minister and current frontrunner to succeed Mr Shamir as leader of the opposition Likud party, has warned his countrymen to prepare for a sharp drop in US aid, now running at $3bn a year, as the focus in the US shifts to *the domestic agenda.*

Washington is expected nonetheless to continue working for Middle East peace, if only because the stability of a region which supplies such a large proportion of its energy needs is essential for Western economic recovery. As Mr Beilin put it: "They understand the *linkage* between home and foreign policy."

Eric Silver

■ RUSSIAN JEWS

The pains of adjustment

TWO and a half years after the beginning of mass immigration from the former Soviet Union, many of the 450,000 newcomers often still *feel lost and helpless in their struggle for full and successful absorption* into Israeli life, writes **EFRAT SHVILY.**

As a group, however, the immigrants have quickly made a big impact on society and politics. Most striking was their significant contribution to the change of government in the June 1992 elections.

The big immigrant vote for the Labour party is commonly explained by economic hardship and high unemployment which the newcomers associated with the *Likud* government and which is the biggest obstacle to smooth integration into society of a group *that is now* Israel's largest ethnic community.

In June 1992 immigrants were a quarter of 195,000 unemployed Israelis. Absorption Ministry data show that among 150,000 immigrant breadwinners, only 70,000 are employed, two thirds of them not in their professions and often in *minimum-wage* jobs. Another 30,000 are still enrolled in Hebrew schools or undergoing vocational training.

Fears two years ago of an ethno-social "explosion" between newcomers and Israelis over competition for jobs have not been fulfilled. The two groups found themselves "sailing in the same boat of hardship and unemployment," says Moshe Lisak, sociology professor at the Hebrew University of *Jerusalem.* But lack of work is a key grievance of immigrants.

Marina and Yuri, both in their mid-30s, immigrated to Israel from Georgia two years ago. They live in one of Haifa's suburbs and are unemployed now. For several months they worked not in their professions. Marina, a lawyer, worked as a supermarket cashier and Yuri, a car electrician, worked as a plumber. But pay was *too low to keep them in unsatisfactory* jobs.

Marina, who is currently enrolled in a lawyers' training course, says she has no hope of finding work in her profession even after she graduates. "There are no jobs out there. I am taking this course for the lack of anything better to do," she says. She believes, however, that "things are tougher in Russia and in Georgia," and *is content to be out. But the Absorption* Ministry says 4,450 Soviet immigrants have left Israel since the beginning of 1991.

Marina speaks good Hebrew but she has no Israeli friends and she does not feel "Israeli". Professor Lisak says that despite "adoption" attempts on the part of Israelis, Soviet immigrants failed to become part of Israeli social networks and remain closed inside their own circles.

Interestingly, integration is often more evident in the peripheral development town communities than it is in the main cities. The immigrants find it easier to mingle in small centres despite the fact that in these places they are often breaking the *ethnic* homogeneity of Sephardi Jews who themselves were mass immigrants two generations ago.

The problems of absorption, particularly *unemployment, led this year to a sharp* drop in arrivals from former Soviet territories to 70,000 from 175,000 in 1991. This slower pace of immigration may have the effect of easing the pressure on Israeli society of integrating newcomers.

□ POLITICS

Likud seeks a young leader

THE LIKUD party is set to leapfrog an entire court of "crown princes" as it *prepares to elect a new leader and start down* the road to recovery from its defeat in the June elections, writes ERIC SILVER.

Neither of the frontrunners to succeed Mr Yitzhak Shamir as Likud leader – Mr Binyamin Netanyahu and Mr Binyamin Begin – has cabinet experience. Both entered *parliament as recently as 1980.* "Bibi" Netanyahu is 43; "Benny" Begin, son of the late Mr Menachem Begin, is 49.

The high-flyers previously tipped to succeed the old warriors of the Irgun Zvai Leumi and the Stern Gang – smooth lawyers in their 50s like Mr Dan Meridor, the former justice *minister, and Mr Ehud* Olmert, previously health minister – have pulled out of the race. Mr Ariel Sharon, at 64 the oldest of the original contenders, has made a tactical retreat.

Mr David Levy, the 55-year old former foreign minister and standard bearer of Israel's north African immigrant community, is still running hard, but his chances have diminished. He is blamed for weakening the party *on the eve of the general* election by reviving ethnic resentments. Two younger Sephardi candidates, Mr *Moshe Katsav and Mr Meir Sheetrit,* are putting down a marker for the future.

Mr Netanyahu confirmed his position as **early favourite on November 15 by persuading the 3,000-member Likud central committee to adopt a system of primaries for choosing a leader who would command them through the present parliament to the next elections, due in 1996.**

The committee overwhelmingly rejected **Mr Begin's alternative proposal which would have left a decision about the candidate for prime minister to a later stage. His father's memory is a dwindling asset. The younger Begin, an earnest geologist with an American PhD, appeared extensively in Likud's television commercials last spring, but he lacked his father's showmanship and passion. The party managers *gambled* on the name and the name was not enough.**

The elections left Likud politicians *weary and dejected,* a party with *a lame-duck* leader, a ramshackle machine and debts of $50m. Only Mr Netanyahu, who introduced the 10-second sound-bite to Israeli diplomacy, *first* as ambassador to the United Nations, then as deputy foreign minister, seemed ready for another battle.

His rivals accuse him of importing American techniques – and American money in the form of donations from US *Jewish supporters – into the contest.* But they have failed to brand him an outsider.

He presses the flesh. His oratory owes more *to* Hebrew football commentators than to the Massachusetts Institute of Technology (his alma mater). He is rapidly making good his lack of a power base within the party by recruiting new members to Likud – about 25,000 since June.

Mr Netanyahu's critics complain that *they don't know what he stands for. What* he has vouchsafed so far is that he favours electoral reform and a market economy of Thatcherite rigour. He wants to hold on to all the occupied territories. He does not trust the Arabs.

That may suffice to win the Likud leadership in the March primaries. But unless Mr Rabin disappoints those who voted for a change of national priorities, it may not be enough to make *Mr* Netanyahu prime minister in 1996.

■ Profile: Elron

An electronics success story

MR UZIA GALIL, who in the 30 years since he founded Elron has built it into one of Israel's top high-technology producers, is not much troubled by the cold economic winds blowing in Europe and the US where his companies sell most of their products, writes **HUGH CARNEGY.**

In his view from Haifa, overlooking a Mediterranean Sea still warm in the *December sun,* the worldwide electronics market is so big that relatively small players like those in Israel can go on making money in a recession if they have the products and skills to compete.

In recent years, the Elron companies have garnered fewer headlines than other stars of the Israeli high-tech firmament like Scitex, the computerised imaging systems maker, or ECI Telecom, a manufacturer *of advanced circuit multipliers.* But the group, with combined sales of $50m, accounts for about 17 per cent of the country's electronics industry and is a mainstay of the export-driven sector.

It includes, in Elbit, Elscint, Fibronics and Optrotech, *four of the growing* number of Israeli high-tech companies quoted on US stock markets which, Mr Galil points out, have recently spectacularly outperformed the main market indices.

Not that all has been plain sailing in the group. Both Fibronics, a pioneer in fibre-optic networking, and Optrotech, which services printed circuit board production, have fallen into the red in the last 18 months. They dragged down net group profits to $6m in the first half of 1992, from $13.5m in first half 1991.

But Elbit, which makes defence electronics, and Elscint, which makes advanced medical diagnostic equipment, have performed strongly to allow Elron to support the weaker companies to get back on track. Elbit has taken over Elscint to diversify out of the weakening defence sector. But Mr Galil says companies like Elbit can still make money in the defence market by concentrating on enhancing efficiency for clients looking to cut costs.

Niche markets are what Israeli electronics companies have traditionally exploited successfully to make the sector account for about 30 per cent of the country's industrial *exports,* employing more than 30,000 people. Now the flow of immigrants from the former Soviet Union and heavy layoffs in the heavy end of the local military industries have increased the pressure on the electronics industry to expand.

Uzia Galil says this requires a dramatic shift in attitude, looking to produce components for mass consumer products. "The next step is to start from the market, not from the technology we have. We have *to* assume we have the technology and look for the markets that we could supply."

Capitalising on Opportunity in Israel Requires a Partner with Experience.

1991-92 Public Transactions

All of these securities having been sold, this announcement appears as a matter of record only.
May 1991

2,160,000 Shares

Elbit Computers Ltd.

Ordinary Shares

Price $18½ Per Share

1,620,000 Shares

Lehman Brothers — Oppenheimer & Co., Inc.

This tranche was offered in the United States.

540,000 Shares

Lehman Brothers International — Oppenheimer & Co., Inc.

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
July 1991

4,950,000 American Depositary Shares

Representing

59,400,000 Ordinary Shares

Teva Pharmaceutical Industries Limited

Price $12 Per ADS

3,850,000 Shares

Lehman Brothers — Merrill Lynch & Co.

This tranche was offered in the United States.

1,100,000 Shares

Lehman Brothers International — Merrill Lynch International Limited

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
October 1991

7,121,381 Shares

Scitex Corporation Ltd.

Ordinary Shares

Price $35 Per Share

5,700,000 Shares

Lehman Brothers — Salomon Brothers Inc — Alex. Brown & Sons Incorporated

This tranche was offered in the United States.

1,421,381 Shares

Lehman Brothers International — Salomon Brothers International Limited — Alex. Brown & Sons Incorporated

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
October 1991

4,140,000 Shares

LANNET

Lannet Data Communications Ltd.

Ordinary Shares

Price $13 Per Share

3,220,000 Shares

Lehman Brothers — Oppenheimer & Co., Inc.

This tranche was offered in the United States.

920,000 Shares

Lehman Brothers International — Oppenheimer & Co., Inc.

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
November 1991

5,250,000 Shares

Elscint Limited

Elscint Limited

Ordinary Shares

Price $5 Per Share

4,200,000 Shares

Lehman Brothers — Bear, Stearns & Co. Inc.

This tranche was offered in the United States.

1,050,000 Shares

Lehman Brothers International — Bear, Stearns International Limited

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
December 1991

2,000,000 Shares

ECI Telecom

ECI Telecom Ltd.

Ordinary Shares

Price $37½ Per Share

1,600,000 Shares

Alex. Brown & Sons Incorporated — Lehman Brothers — Smith Barney, Harris Upham & Co. Incorporated

This tranche was offered in the United States.

400,000 Shares

Alex. Brown & Sons Incorporated — Lehman Brothers International — Smith Barney, Harris Upham & Co. Incorporated

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
May 1992

4,025,000 Shares

TDC

Teledata Communication Ltd.

Ordinary Shares

Price $11 Per Share

3,163,000 Shares

Lehman Brothers — Oppenheimer & Co., Inc.

This tranche was offered in the United States.

862,000 Shares

Lehman Brothers International — Oppenheimer & Co., Inc. — Poalim Capital Markets and Investments Ltd.

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
May 1992

3,800,000 Shares

PEC Israel Economic Corporation

Common Stock

Price $13½ Per Share

2,850,000 Shares

Lehman Brothers — Oppenheimer & Co., Inc. — Furman Selz Incorporated

This tranche was offered in the United States.

950,000 Shares

Lehman Brothers International — Oppenheimer & Co., Inc. — Furman Selz Incorporated

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
June 1992

3,600,000 Shares

Sapiens

Sapiens International Corporation N.V.

Common Shares

Price $11½ Per Share

2,900,000 Shares

Oppenheimer & Co., Inc. — Donaldson, Lufkin & Jenrette Securities Corporation — Lehman Brothers — SBCI Swiss Bank Corporation Investment banking

This tranche was offered in the United States.

700,000 Shares

Oppenheimer & Co., Inc. — Donaldson, Lufkin & Jenrette Securities Corporation — Lehman Brothers International — Swiss Bank Corporation

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
August 1992

7,833,000 Shares

TADIRAN

Tadiran Limited

Price $14½ Per Share

6,433,000 Shares

Merrill Lynch & Co. — The First Boston Corporation — Lehman Brothers

This tranche was offered in the United States.

1,400,000 Shares

Merrill Lynch International Limited — Credit Suisse First Boston Limited — Lehman Brothers International

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
October 1992

3,149,000 Shares

4D

4th Dimension Software Ltd.

Ordinary Shares

Price $12 Per Share

2,348,000 Shares

Lehman Brothers — Kidder, Peabody & Co. Incorporated — Oppenheimer & Co., Inc.

This tranche was offered in the United States.

801,000 Shares

Lehman Brothers International — Kidder, Peabody International Limited — Oppenheimer & Co., Inc.

This tranche was offered outside the United States.

All of these securities having been sold, this announcement appears as a matter of record only.
October 1992

5,000,000 Shares

The First Israel Fund, Inc.

Common Stock

Price $15 Per Share

4,000,000 Shares

Prudential Securities Incorporated — Donaldson, Lufkin & Jenrette Securities Corporation — Lehman Brothers — Merrill Lynch & Co.

This tranche was offered in the United States.

1,000,000 Shares

Prudential-Bache Securities — James Capel & Co. — Donaldson, Lufkin & Jenrette Securities Corporation — Lehman Brothers International — Merrill Lynch International Limited — N M Rothschild & Sons Limited

This tranche was offered outside the United States.

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ISRAEL'S tourism industry is set to break records in 1992. Mr Uzi Baram, the tourism minister, reckons the number of visitors to Israel and the occupied territories will reach 1.65m by the end of the year, outstripping the previous best performance of 1.52m in 1987.

The slump caused in 1990 and 1991 by the Gulf crisis and the subsequent war has been quickly left behind. The depressant effect of the Palestinian intifada, or uprising, in the occupied territories which was felt in 1988 and 1989 has also largely evaporated.

Instead, officials, hoteliers and tour operators alike say the establishment of Middle East peace talks, giving some hope of a settlement of the Arab-Israeli conflict, has been an important factor in encouraging tourists and investors to come to the Holy Land.

"Every tourist and investor is taking a risk when coming to Israel," says Mr Baram. "If the perception of the political situation is positive, if we are pushing the peace process ahead, in cooperation with the US and Europe, then people are more enthusiastic to come. And we have all the attributes to attract more people." Indeed, the story of Israeli tourism is one of great potential thwarted by political instability. Even this year's record looks meagre when set against the extraordinary combination of holy shrines, archaeological sites, scenery, climate and warm seas that *Israel and the occupied lands* can offer. Israel lags far behind Greece, for example, in the number of tourists it attracts each year.

Tourists rediscover the Holy Land

Sun worship

Mr Baram and his officials are aiming to raise the annual total number of visitors to 2.5m over the next five years. They believe ultimately, the "optimal" figure the country could handle without excessive overcrowding is 4m-5m. "Our priority is still quantity, not quality," says a senior official at the ministry.

The importance to the overall economy is hard to overestimate. Already the sector employs directly 50,000 people. The $2bn that tourism earns Israel annually is equivalent to about one sixth of industrial exports. This year, it will amount to about twice the current account deficit on the balance of payments. As the deficit rises while Israel *steps up investment to cope with mass* immigration, the importance of tourism earnings will be greater than ever.

The government is therefore channelling considerable investment into tourism, targetted mainly at three chief locations: Jerusalem, the Dead Sea and Eilat on the Red Sea.

Over the next three years, it will spend some Shk250m on grants to new projects, including those by foreign companies, with up to 30 per cent available of the cost of an investment. An additional similar sum will be spent directly on infrastructural and other facilities.

The core of tourism to Israel and the occupied territories has been Jews and Christians from the US and western Europe. Israel is looking to the Christian markets in the southern states of the US and the Far East for expansion. The experienced and remarkably resilient Palestinian operators, strong in the Christian pilgrimage business, are fighting to expand their market share. Both look longingly at the prospect of Moslem pilgrims who have largely been absent since Israel won all of Jerusalem *in the 1967 Six Day War.*

This year has shown how even the prospect of peace can produce a surge in numbers. The benefits of open borders that a peace settlement would yield would be great. By the same token, however, an enormous amount is riding on the success of the peace process. Any breakdown of the talks and resort to violence in the area would send the numbers tumbling downwards once more.

Hugh Carnegy

Hugh Carnegy on the government and the banks

Trying to withdraw

THE big issue for 1993 facing four of the five banks which dominate Israel's financial sector is not so much how they will perform, but what will become of their ownership.

If the government sticks to *its target, it will in the coming* year move decisively at last to resolve the question of how to divest the state of the majority shareholdings it has in the four biggest banks – Bank Hapoalim, Bank Leumi, Israel Discount Bank and Bank Mizrahi. (The fifth-largest, First International Bank of Israel, is privately owned.)

The state took on the bank stock at the cost of some $7bn after a share collapse in 1983. A preferential share system left control in the hands of the original owners. But under agreements with all four banks, the government-held shares will have full voting rights when they are sold back to the private sector.

In theory there is a deadline of October 1993. Under the terms of the government rescue, the banks would come under full state control from that time if they have not previously been re-privatised. The Labour-led coalition is anxious to earn the receipts this would bring the government and is committed not to preside over a full-scale nationalisation.

Overall, the banks look relatively well positioned for sale. Mr Ze'ev Abeles, the Banks' Examiner at the Bank of Israel, says that despite a problem of non-performing debt in the agricultural sector, which has required big provisions over the past five years, the bad debts, strikes and other problems of the past decade have been largely overcome.

The banks, which cover the spectrum of financial activity including retail banking, mortgages, asset management, brokerage and insurance, should report improved profitability this year over last year's inflation-adjusted average of less than five per cent net return on capital. Privatisation should inject keener competition into a sector notable for the almost total absence of foreign banks.

But the process has to date *proved slow and uncertain and* many question marks still hang over how it may turn out. Mr Saul Bronfeld, the managing director of the Tel Aviv Stock Exchange (TASE), which is hungry for big bank equity issues to soak up heavy demand, voices the frustration of many at the way the bank sales are being handled. "Mexico privatised 18 banks in 12 months. The Israeli government has not succeeded in privatising one bank in nine years. We are annoyed. The market is having its best year since 1982. The government may miss an opportunity."

The government is considering how to end the state holdings in the four biggest banks

This criticism irritates Mr Gil Leidner, the chief executive of M.I. Holdings, the government company charged with handling the bank sales. He argues that progress is being made. Agreement has been reached to sell a 51 per cent stake in Bank Mizrahi, previously owned by the World Mizrahi religious organisation, for $185m to Mr Gad Ze'evi, an Israeli businessman, which now only requires Bank of Israel assent. The balance will then be floated on the TASE.

A long-delayed similar tender process will be launched in three to four months for Bank Igud, a profitable unit that is being split off from Bank Leumi. Meanwhile, Israel Discount Bank has been split from its parent, IDB Holdings.

A controlling share of IDB Holdings, a big investment group, has been sold back to its original owners, the Recanati family of Tel Aviv. The remaining 42 per cent government stake in the holding company, valued at Shk950m, was due to be floated on the TASE late last month. Mr Leidner then intends to issue tenders for a 26 per cent stake in the bank – worth perhaps $250m – in the first half of 1993 that would establish a new owner.

"Our attitude is to sell a controlling interest first. We think it is important to secure long term, stable ownership of the banks before selling shares to the public," Mr Leidner says.

This approach is disputed, not least by the Bank of Israel. "We need to think over whether the process of sale of control by auction is the right way to sell [Bank Hapoalim, Bank Leumi and Discount Bank]," says Mr Abeles.

Mr Leidner himself admits that the sheer size of Bank Hapoalim, controlled by the Histadrut trade union federation, and Bank Leumi, controlled by the Jewish Colonial Trust, makes selling them "a completely different ballgame". Their combined assets of some Shk150bn are more than twice the combined assets of the other three banks. He intends a test flotation on the TASE of a 10 per cent stake in each (both had shareholder's equity last year of more than Shk3bn).

There is still considerable debate on how to proceed from there, however. Mr Abeles, who doubts it will be possible to find investors willing even to buy a 10 per cent stake in Hapoalim or Leumi, says a steering committee should be set up with Bank of Israel participation to decide.

It looks highly unlikely the issue will be resolved by October next year, leaving the government with an additional problem of how to avoid taking direct control of the country's two dominant banking groups.

Privatisation proceeds slowly, says **Judy Maltz**

Easier in principle

ISRAEL'S privatisation programme appears to be gaining some momentum after a painfully slow start.

In February, the government sold off 20 per cent of its shares in Israel Chemicals, the largest state-owned industrial concern, for $235m, in the biggest share offering ever made on the Tel Aviv Stock Exchange (TASE). Early next year, it plans to issue an international tender to sell off a controlling stake in the national telecommunications company, Bezek, which has already been partly privatised on the TASE.

It is difficult to find anyone in Israel these days who disputes the benefits of privatisation. What remains an issue of heated controversy, however, is the method of going about it. Specifically, should the government sell its companies on the local stock exchange – a process which generally takes longer but also allows the public to benefit – or should it sell control immediately to private investors and thereby turn in a *quick profit?*

Since taking power last July, Israel's new Labour-led government has taken great pains to show that it wholeheartedly supports privatisation. In spite of its Socialist roots, it has no intention of abandoning free-market reforms begun by the previous Likud government.

To prove its point, the first decision taken by the newly formed cabinet last summer was to re-establish a special *interministerial committee*, charged with overseeing the privatisation programme. On the committee, headed by Prime Minister Yitzhak Rabin, sit the finance minister and the justice minister.

The decision was taken a day before the former US Secretary of State, James Baker, arrived in Jerusalem for his first meeting with the prime minister and was interpreted as a clear message to the Americans that *the new government* views privatisation as one of its top economic priorities.

The government of Israel is currently a shareholder in 170 companies, which last year employed 24 per cent of the country's total labour force and accounted for just under 24 per cent of its total exports. The privatisation programme is directed at about 25 of these companies, active mainly in utilities, chemicals, transport and construction. On the whole, these companies have tended to be profitable.

The government formally adopted a policy of privatisation in the mid-1980s, when it commissioned First Boston, the New York investment bank, to draw up a master plan for selling off state-owned companies. Owing to opposition by the various ministers responsible for the companies, their *management and workers*, First Boston's recommendations were never implemented.

The new Labour-led government has stressed wholehearted support for privatisation

The only major government company sale to take place in recent years has been that of Paz, Israel's largest oil company, to Australian businessman Jack Liberman.

Realising that its programme was going virtually nowhere, the government last year set up the special three-man interministerial committee in the *hope that it would facilitate* more rapid decisions.

Still, Mr Joseph Nitzani, head of the Goverment Corporations Authority – the body responsible for carrying out these decisions – believes there remain major obstacles which stand in the way of privatisation. "The way things are going today, I can't say I'm very optimistic," he says. "There is still a lot of bureaucracy in the decision-making *process, and when a company* decides it does not want to be privatised, it can put many obstacles in my path."

Mr Nitzani has already submitted a proposal to the interministerial committee which would significantly enhance his authorities and limit the number of parties involved in the decision-making process concerning each company.

Within the framework of its privatisation programme for the coming year, the government plans to further reduce its holdings in Israel Chemicals and Bezek, sell off control in El Al, the national airline, and divest itself of its remaining shares in the Zim shipping company. In addition, it intends to draw up a proposal for privatising Israel Aircraft Industries – as well as prepare the groundwork for a share offering in the Israel Electric Corporation.

The government has set as a target the sale of $3bn in state-owned assets by 1994. "The main goals of our privatisation policy are to develop and stabilise the capital market, attract foreign investment, improve *the efficiency of natural* monopolies and relieve the burden on the state budget cause by unprofitable government companies," says Mr Nitzani.

Through its emphasis on privatisation, it appears the new government is trying to show its genuine commitment to the principles of reducing state intervention in the economy, freeing the capital markets and furthering competition by *breaking down monopolies and* cartels and admitting imports.

Indeed, despite mounting pressure from industrialists, the government has so far held fast to a trade liberalisation programme introduced last year. As part of this programme, Israel abolished all existing administrative restrictions on imports from third countries, such as quotas and licensing requirements, and replaced them with tariffs, *which are to be gradually* reduced over a period of five to seven years.

■ **Profile:** Elite Foods

Chocolates on parade

IN an inner eastern suburb of Tel Aviv, just across a busy road junction from the Israeli diamond exchange, the heavy aroma of chocolate hangs over an otherwise unremarkable factory building, writes HUGH CARNEGY.

It is the headquarters of Elite, one of Israel's leading – and oldest – food processors. In a small basement office Mr Nathan Nissani, the chief executive, has plotted the transformation of the company from a confectionery and coffee producer enjoying a virtual monopoly in the Israeli market into an aggressive outfit fighting a tough domestic battle with local competitors in a growing range of products, while at the same time seeking to expand its exports.

The past two years have seen some bruising encounters in Israeli supermarkets between Elite and its chief rival, Osem, another long-es*tablished company now work*ing hard to expand under the leadership of Mr Dan Propper, a member of one of Osem's founding families.

Osem has attacked Elite's overwhelming dominance in coffee. Elite, winning government approval to lower import tariffs, has hit back in Osem's traditional strongholds of pasta and also savoury snacks.

The Elite-Osem rivalry is a sign of a slow but significant *spreading of competition in* Israel's still heavily cartelised food market. Mr Nissani says his steering of Elite into greater local diversity and into exports was a "deep strategic need" sparked by two factors: the liberalisation of imports of US and European confectionery products and the limited size of the local market.

Now he adopts a near military approach to his business. Calling himself a "hired gun" *for his shareholders, he says* Israeli managers' army service experience gives them a cutting edge in business.

As Elite expands into Europe – including eastern Europe – Mr Nissani sees this combining successfully with Israel's rich pool of emigres. "One of the big advantages Israel has is the ability to apply the right people in the right places. We also still have the ability to think small – we can adapt quickly."

Elite's direct exports have grown rapidly under Mr Nissani, from $7m in 1989 to an anticipated $21m this year out of total sales of $250m. The target is to achieve $35m in overseas sales next year.

Meanwhile the company, which employs 2,400 people in Israel, has grown in market value from less than $100m in late 1989 to approaching $300m today.

Apart from direct exports – mainly private confectionery brands for supermarket outlets which Mr Nissani complains bitterly are hampered by EC levies on agricultural ingredients such as milk and sugar – Elite has begun to implement a strategic policy of acquisitions in Europe. It has bought a company called S.A.F. in the St Etienne area of France where Mr Nissani plans to take on all comers.

Elite has also purchased the Union Kaffee Group in Germany, a company with $250m annual turnover with outlets in France, Spain, Belgium and Poland, and owns a company in Poland called Goman. The total sales of these foreign acquisitions now outstrip Elite's Israeli turnover.

"We now have a base in Europe," says Mr Nissani. "This will give us sufficient contact with those markets and the ability to understand those markets. We are looking to Russia as well as to Poland. We are now one of the only western companies with a distribution network in Poland."

Elite, however, still has heavy excess capacity at home. One potential to take this up lies in the prospect of Middle East peace. Open borders to Arab countries could be a "paradise", says Mr Nissani.

He says he has begun tentatively to prepare for such a day – as has his rival at Osem. But as in any "paradise", peace is elusive.

Industrial good news outweighs the bad, says **Judy Maltz**

More jobs as exports climb

THEY may hesitate to admit it, but 1992 has been an exceptionally good year for Israeli industrialists.

Industrial exports are expected to grow by an impressive 14 per cent this year to total *nearly $9bn after* dropping two per cent in 1991; industrial production is forecast to rise eight per cent, creating close to 7,000 new jobs.

These good tidings come in spite of the slump which continues to affect most of Israel's main export markets and the crisis plaguing its all-important military industries.

"In general, we can't complain," says Mr Yoram Blisovsky, director-general of the *Israel Manufacturers Association*. "What seems clear is that now, in contrast to the past few years, export industries have taken the lead as the main areas of growth."

Indeed, ever since the Soviet Jewish immigration wave began in 1989, the main industries to benefit had been those which produce goods for the local market, mainly food and textiles, as well as those supplying inputs to the construction sector, which underwent a boom owing to the population explosion.

After immigration slowed in the past year, however, industrial growth has been fuelled mainly by exports, particularly electronics, textiles and plastics. Some of the increase in exports this year is merely compensation for the drop that occurred last year, owing to the Gulf War. But according to Mr Jonathan Katz, managing director of Economic Models and Forecasts, a consulting firm, a good part of the increase can be attributed to government policy which has helped ensure profitability.

"As a result of the new exchange rate policy adopted last December, whereby the government announces in advance the rate of devaluation over the course of the year, there's more certainty for industrialists, and this has *undoubtedly helped them with* sales," he says.

The jump in exports has been accompanied not only by improved profitability, but by a drop in real wages and higher productivity. These developments have come more gradually, however, resulting from efficiency-boosting measures undertaken by most of Israel's leading industries in the late 1980s.

"Today, there are no longer any more 'sacred cows'. Israeli industries know that the government will no longer pump money into them just to avoid *massive lay-offs* and that they must justify their existence," says Mr Katz. "As a result, previously financially-strapped companies like Koor Industries and Israeli Aircraft Industries (IAI) have in the past year begun showing a profit."

But like most of Israel's *defence industries, even IAI,* the country's biggest company, has been experiencing difficulties of late and was recently forced to seek $180m in emergency government assistance.

Israel's defence industries, which managed to overcome sharp national spending cuts in the mid-1980s by relying more heavily on export markets, have indeed become one of the key casualties of the post-Cold War era. In the past five years, the share of military sales in total exports has dropped from 25 per cent to 12 per cent.

For Israel's new Labour party government, which has made fighting unemployment one of its top national priorities, the prospect of sizeable layoffs in the military industries is extremely daunting. On the one hand, it cannot allow unemployment to rise; on the other hand, it cannot permit itself to pump state funds into industries which have no future prospects. *As a result,* how the government chooses to deal with the collapse of the military industries will be one of its key tests in the coming months.

The military industries are not the only ones exerting pressure on the government these days. Manufacturers in the textile and clothing businesses have been hoping to find a more attentive ear in the new government, because of its concerns regarding unemployment, on the issue of import *liberalisation. Thus far,* however, their repeated threats to close down factories and dismiss thousands of workers if the market is opened further to cheap imports from the Far East have made little impact.

Ironically, it is the textile industry which has experienced one of the highest rates of export growth in recent years.

Mr Blisovsky believes 1993 will probably be as good a year as 1992 for Israeli industry. "A lot will depend on what happens in the world market and to what extent we can maintain our competitive edge. As it looks now, there probably won't be any further improvement, but there certainly won't be any deterioration," he says.

MANAGEMENT

Ex-pats and Poles apart

Three years after the collapse of communism in Poland, managers recruited locally by foreign companies are experiencing the frustrations of reporting to expatriate superiors.

There are at least 1,000 locally-recruited Polish managers working for foreign companies. By offering high salaries (by local standards) the foreign companies were able to cream off the best of the experienced managerial talent as well as attract young graduates.

But one expatriate management consultant says: "The younger staff are beginning to get bored now that they have learned the jobs that they were taken on to do."

Marius Bialek, from H Neumann, an Austrian management consulting company, says: "I know there is something wrong when good people I recruited a year ago come to me looking for another job."

He believes some frustration will be alleviated by sending the more talented managers to run new offices elsewhere in eastern Europe. As for those who leave, few are likely to seek jobs with Polish-owned companies. Instead they will look to other multinationals.

One reason is pay. A senior executive working for a Polish company earns about $12,000 (£7,900) a year although top salaries can go as high as $80,000. Foreign companies pay between $28,000 and $72,000 to locally-recruited senior executives. That contrasts, however, with the $60,000 to $200,000 a year their expatriate colleagues and superiors are earning.

But the era of the expatriate manager in Poland may be limited. Gaspol, for example, is a joint venture between a number of Polish liquified petroleum gas distributors and the UK's Calor group, Primagaz of France and SHV from Holland.

Bob West, the managing director, says "The four expatriates in place should be out of here in three years. After all, I shall never know the market, the language and the country as well as the local people."

Christopher Bobinski

Michael Skapinker finds staff at the Aerostar struggling to provide creature comforts for visitors to Moscow

Tempo changes at heartbreak hotel

When Yana Yevinzon emigrated to the US in 1976, the Soviet authorities tore up her passport. Two years ago, she returned to become executive housekeeper of the new Moscow Aerostar Hotel. When she boarded the Aeroflot flight, she was so frightened that her Russian momentarily deserted her.

Aly Rehemtulla, a former refugee from Idi Amin's Uganda, spent his first nights at the Aerostar fighting off mosquitos in a hot windowless room. He had given up a successful career with Holiday Inn in Toronto to become rooms manager in a half-built hotel in a country convulsed by political and economic change.

Why did they do it? "The challenge," says Yevinzon. "Russia is the new frontier," says Rehemtulla. "This is the biggest adventure I have ever had."

The 417-room Aerostar, a joint venture between Aeroflot and IMP, a diversified Canadian manufacturing and services group, opened last March, aiming to provide western business visitors with the kind of facilities they find at home. Its brightly-lit marble lobby is certainly a warm refuge from the bewildering streets outside. The service is friendlier than at many western hotels.

The hotel does, however, differ from western establishments. The plumbing is slightly eccentric and the rooms are not soundproof. And few western hotels have mathematicians making the beds, economists mopping the floors or surgeons doing the laundry.

The Aerostar building, a 10-minute drive from the Kremlin, was built by Aeroflot to house athletes competing in the 1980 Moscow Olympics.

It was never completed or used, probably because the US boycott of the games reduced the number of rooms needed.

It was spotted by Kenneth Rowe, IMP chairman, during one of his regular visits to Moscow. IMP services Aeroflot aircraft in Canada. Rowe suggested to Aeroflot that they turn the building into a hotel which IMP would run.

Robert Dearden, a Toronto construction worker who was hired to supervise the work, had his own ideas about what should have been done with the building.

"I would have knocked the thing down," he says. Only one of the nine floors had plumbing or lights. A drainpipe descended from the roof through the middle of the building, neatly cutting the entrance to a room in half.

The bearded Dearden, who wears an earring, a lumberjack shirt and a Montreal Canadiens cap, tried to equip the hotel locally. "People could get what I wanted but they said they had to install it. And they said they wanted to be paid in computers or television sets. I thought: 'I haven't got time for this'." Everything used in the refurbishment and furnishing of the hotel was imported, including the light bulbs.

Three years on, Dearden has found local suppliers of some equipment and material. He employs as a middleman a multilingual Iranian doctor who, after 20 years in the country, has a wealth of Russian contacts.

Patrick Doffenies, the Aerostar's French-born purchasing manager, had less luck with Russian suppliers. Doffenies spent two months concluding an agreement with a supplier of Russian wine. Only then did he discover that the Russian company could not afford to buy bottles and had been planning to sell the wine in barrels.

A farmer with 3,000 cattle offered to supply beef on condition that the Aerostar built him an abattoir.

A supplier of fruit from Georgia seemed more promising. He appeared well-organised and had translated all documents into English. The fruit would be flown from Georgia.

Doffenies concluded an agreement. On the day the first consignment was due, the supplier phoned from Georgia to say the plane had run out of fuel. "It was hopeless," says Doffenies.

Apart from some produce which the hotel buys from local markets in the summer, all the Aerostar's food arrives by lorry from France once a week. Lobster is flown in from Nova Scotia. Cleaning materials and office supplies are imported from the UK.

Import duties fluctuate from week to week, lorries are regularly opened by customs and items frequently go missing. But by importing virtually everything it needs, the hotel provides the quality of food and cleanliness its guests expect.

The result, however, can be an unbearable temptation to staff who steal from the hotel and occasionally from the guests. Marilyn Barker Paulson, the Aerostar's Canadian sales and marketing director, recalls that the food and beverage manager threatened to install a metal detector at the kitchen exits to prevent cutlery disappearing. One employee tried to smuggle sausages out in her coat lining.

The penalty for theft is dismissal and there are no second chances. "To fire someone for stealing a carton of orange juice is hard, but you have to do it," says Rehemtulla. "The Russian staff feel they work here, they contribute, they're entitled to take it. They see how abundant everything is here and they think if they take an orange juice, who is it going to hurt?"

Of 550 Russian staff, about 30 have been dismissed for theft. Rehemtulla says this does not seem to have deterred others.

Staff attitudes to service have also posed some problems. Andrew Ivanyi, the Aerostar's Hungarian-born general manager, said the hotel decided not to hire anyone who had worked in a Soviet hotel.

But even with people who had not been infected by Soviet service attitudes, instilling new standards was difficult. When Yevinzon told an initial training session that the customer was always right, the staff laughed. She showed them what she meant.

When one guest asked for a hair dryer – something the hotel did not then possess – Yevinzon went home and got her own. When another guest asked for his shoes to be shined, Yevinzon did the job herself in front of the staff.

"The most difficult thing to get them to understand was that it was the guest who was paying their salaries and not the government," Yevinzon says.

The employees, however, proved quick learners because, Yevinzon believes, they were so highly educated.

Apart from the surgeon who does the laundry, there is a doctor running the gym, a paediatric nurse supervising one of the floors and a petroleum engineer in charge of the storeroom. Many of the cleaning staff are economics graduates.

For most, money was an important attraction. The Russian staff earn an average of 12,000 roubles a month.

The hotel would like to pay an additional foreign currency bonus, but this is illegal. Instead, it gives staff vouchers worth between $125 and $200 a month to spend in Moscow's hard currency stores.

Many exchange the vouchers for dollars on the black market at a 20 per cent discount. Tatyana Golikova, an assistant to the training manager at the hotel, says that if she had continued in her old job as an English and German teacher she would now be earning 3,000 roubles a month.

Even some in cleaning jobs see the hotel as a way to get ahead. As a trained economist Natasha Kombarova is hopelessly over qualified for making beds and cleaning baths. But she believes the Aerostar will eventually offer her the chance to become a manager.

Not everyone is as enthusiastic. "I was in shock for the first few days," says Yuri Kiselev, a cleaner and former research economist and computer programmer. "I'm looking for a new job somewhere else, or maybe I will be able to rise here. I'm not satisfied with my status here. This is not intelligent work."

Alexandre Biryukov, the petroleum engineer who runs the storeroom, says the quality of staff being hired now is not as high as when the hotel first started.

There are other western hotels and joint ventures in Moscow and working at the Aerostar is no longer such a novelty. "The first people who were hired were anxious about how they were doing," he says. "Now the attitude is: 'Why shouldn't I have this salary?'"

Following in Eskimo footsteps

HEALTH CHECK

Old wives' tales used to claim that eating fish was good for your brain. That has never been proved, but medical research over the last decade suggests that fish does help to reduce cholesterol levels.

Eskimos, who eat enormous amounts of marine mammal blubber and fatty cold water fish have markedly low levels of damaging cholesterol.

Indeed, compared with other races, Eskimos have a higher level of cardio-protective HDL-cholesterol (the so-called good cholesterol). So what is the effect of eating fish?

The cardio-protective substances contained in many cold-water fish are unsaturated omega-3 fatty acids, the most common of which are eicosapentoic acid (EPA) and docosahexanoic acid (DHA) which increase the levels of cardio-protective HDL cholesterol.

Another potentially beneficial effect of these fish oils is that as they become incorporated into capillary cell membranes, they help the red blood cells flow more easily in the tiny vessels.

Moreover, there is preliminary evidence that omega-3 fatty acids may lower blood pressure and reduce inflammatory reactions.

The highest concentrations of EPA and DHA are found in all seafoods and particularly in cold-water fish.

Atlantic mackerel, Pacific salmon and Albacore tuna have the highest levels.

The added oil in a can of fish is likely to be vegetable oil and not omega-3 fatty acid. However, draining the oil – a good idea because the added vegetable oil doubles the calorie load – does remove 15-25 per cent of precious omega-3 fatty acids because these are oil soluble.

Although there are many fish oil supplements on the market, their long-term safety record is not known.

So the best bet at present is to eat fish at least three times a week, remembering that the greater the amount of dark flesh on the fish, the greater the fat and the omega-3 fatty acid content.

Dr Michael McGannon

The author is the medical director of the Insead Business Health course.

PEOPLE

Building up Taylor Woodrow

Sir George Russell

Colin Parsons, the new chairman of construction group Taylor Woodrow, has looked elsewhere in his own struggling sector to boost the non-executive content of the board and chosen Sir George Russell, chairman and chief executive of building materials group Marley.

It is the first time Taylor Woodrow has lured the chairman of another industrial public company into a non-executive directorship. Sir George joins Charles Hambro, chairman of Hambros, the company's merchant bank, who has been on the board for as long as thirty years, and Sir Kit McMahon, who joined in September 1991, but whose background is financial not industrial. Lord Bellwin, who had been a director since 1985, retired shortly after Parsons arrived.

The company, which cut its interim dividend after losing £16m in the six months to June 30, hopes that Sir George's breadth of experience will help address charges that the board has long been too introspective, as well as complement the skills of Parsons, an accountant who has worked in Canada for 30 years. The appointment comes as part of a thorough reorganisation initiated by Parsons, who arrived at the end of March, and who has been overhauling the board, prompting several departures and simplifying what was previously an opaque hierarchy.

While Sir George has been unable to shield Marley from the ravages of recession, analysts credit him with being clear-thinking and unafraid of tough decisions. He is perhaps better known as chairman of the Independent Television Commission, a post he has held since 1991.

Taylor Woodrow, which closed its North American construction operation but which still retains large housing interests in the USA, is attracted by Sir George's experience in North America - beginning in 1968 when he worked with Welland Chemical of Canada, before joining Alcan in 1972. He is still a member of the worldwide board of Alcan Aluminium Limited.

Salomon goes global

This year's list of 21 new managing directors at Salomon Brothers exhibits a markedly more international flavour than in previous years, with as many as 8 of the 21 new managing directors based in London and a further 3 in Japan.

This reflects not only the solid and increasing profitability of the London operation in recent years, but also a change in philosophy at the top of the Wall Street investment bank since the arrival of British-born Deryck Maughan as chairman and chief executive officer. Salomon normally appoints around 20 managing directors at a time; last year just three were London-based. Including the new appointments, there are 130 managing directors worldwide, with 21 in London.

The new managing directors are: Henry Clark III, Mark Davis, Gregory Erardi, David Fisher, James Forese, Ellis Jones, David Levy, John Lipsky, Jonathan Sandelman, and George Shapiro.

In London, Salomon has appointed Jeremy Amias, Simon Bowden, Paul Brewer, Frederic DiGuisto, Bruno Gabriele, Sara McKerihan, David Turnbull, and Steven Tye. In Japan, the three are: Louis Faust, Yoshihiro Mikami and Ikuo Morimoto.

■ Christopher Dreyfus has been appointed a director of RIVER & MERCANTILE AMERICAN TRUST.

■ Stephen Denford, formerly a director of 3i, is joining SUMIT Equity Ventures.

Study in journalism

Peter Cole, founding editor of the short-lived Sunday Correspondent and editor of the Sunday Times News Review for the past two years, is exchanging Wapping for Preston to take up the newly created professorship in journalism at the University of Central Lancashire. He starts towards the end of January.

Cole, 46, denies any unhappiness at the Sunday Times, calling the move "positive rather than negative." He says it is prompted "partly by age" and adds that he likes dealing with students. He answered an advertisement, and remarks on the "exhaustive 2 day interviewing process" - quite unlike the generally much less time-consuming affair for a journalistic job.

In contrast with the US and some continental European countries, Britain has hitherto largely resorted to the cult of the amateur when educating its journalists. Last year, however, the University of Central Lancashire, then Lancashire Polytechnic, introduced one of the country's first undergraduate degrees in journalism.

Can the profession be taught? A Cambridge economics graduate himself, Cole thinks that, given the increased complexity of the subjects journalists are supposed to report upon, there is indeed a lot that can usefully be learned as part of an academic discipline. And public relations, which features this year as an option in the combined honours programme? "We'll find out" he says.

Cole adds that his wide experience in the newspaper business - he was news editor and deputy editor of the Guardian before moving across for the Sunday Correspondent launch - will determine that the course is "fairly practically directed."

Some 200 students are currently studying journalism or public relations in the department.

The university, which strikes Cole as "a very ambitious place", boasts a total of 14,000 students, including part-timers.

■ Jon Snow, Channel Four news presenter, is to become a visiting professor at Nottingham Trent University, associated with the new Broadcast Journalism degree and other related courses.

Greycoat draws in its horns

Greycoat, the troubled property investment company which on Thursday reported pre-tax losses of £39.2m, up from 5.8m, for the six months to September 30, is taking the reduction of its administrative overheads seriously.

In the words of Richard Guignard, managing director, finance: "it's not just a question of getting rid of a few secretaries".

Three directors of the 12-person board are to resign at the end of the year. Barry Cockerell, deputy managing director and a member of the board since the founding of Greycoat in 1978, is to leave, as is Walter Kumar, who joined the company as a development executive in 1985 and moved up to the board in 1989. Alastair Fergusson, a non-executive director since the company's inception, is also going.

All this follows Geoffrey Wilson's decision earlier in the year to move from executive to non-executive chairman. He was the founder of the company, but, says Guignard, is now paid "a fraction of what he received before".

■ John Menzies, formerly non-executive deputy chairman of Corah, has been appointed to the board of ROBERT H LOWE as md of the childrenswear division, Babygro.

■ Michael Guerin, director responsible for NORTHUMBRIAN WATER's Enterprise division, is appointed group commercial director and md of Entec Europe; Ian MacMillan, md of Northumbrian Environmental Management, is appointed director of customer services at Northumbrian Water. Peter Wilson, md Integrated Environmental Management, the group's joint venture with International Technology of America, also becomes md of Northumbrian Environmental Management. Stuart Raistrick is to become md of Amtec Europe; and David Watson, company secretary of Northumbrian Water Group.

■ Leonard Rose, currently md, and Richard Rose, currently commercial director, are to become joint md of WHOLESALE FITTINGS from January.

■ Geoffrey Miller, formerly md of BARCLAYS UK Banking Division, has been appointed banking adviser to MOORES ROWLAND.

CIVIL ENGINEERING

Oceanographic research centre

The Natural Environment Research Council (NERC) has awarded WIMPEY CONSTRUCTION SOUTHERN a £29m contract to build the Southampton Oceanography Centre.

Wimpey is set to start work on the project, which is jointly funded by NERC and the University of Southampton, in the New Year.

The development at Empress Dock, adjacent to Ocean Village, will be a striking addition to the Southampton waterfront. Set on a five hectare site, the project comprises a multi-storey, brick clad and concrete framed building offering 22,000 sq metres of research and teaching facilities for the Research Council.

The centre will act as the national focus for all subjects of oceanographic research, training and teaching. It brings together NERC's Institute of Oceanographic Sciences Deacon Laboratory and its Research Vessel Services as well as the University of Southampton's departments of oceanography and geology, and the underwater acoustics group from the faculty of engineering and applied science.

Along with a research aquarium, temperature controlled investigation areas and test tanks, the development will also house the National Oceanographic library.

Turbine buildings

The major projects company of TRAFALGAR HOUSE CONSTRUCTION has begun work on a £16m contract for the civil engineering works at Keadby Power's combined cycle gas turbine power station. The 680MW station is being constructed by John Brown Engineering, also part of Trafalgar House, on a 26 acre site at Keadby, South Humberside.

The largest element of the work involves constructing a gas turbine building and a steam turbine building. Both buildings will be steel framed with acoustic cladding.

The company will also be responsible for the substructure for the waste heat recovery boiler and building a water treatment area containing two steel tanks. Other work involves constructing a gas reception area, site preparation, roads, car parks, switchyard and site services.

£20m Hong Kong bridge development

BRIDON ROPES, a subsidiary of Bridon, and RYLANDS-WHITECROSS, a subsidiary of TWIL, have won what is believed to be the world's largest order for high carbon steel wire through their joint venture company, European Bridge Wire.

The contract, worth over £20m, has been awarded by Cleveland Structural Engineering, part of Trafalgar House Construction, and is for the supply of specialised high tensile galvanised steel bridge wire.

The wire will be produced in equal quantities at Doncaster and Warrington and shipped to Hong Kong to be aerially spun on site to form the suspension cables for the Tsing Ma Bridge.

The bridge will be one of the world's largest single-span structures, accommodating a double deck for road and rail traffic, with a total length of 2,100 metres and a main spain of 1,377 metres.

The most technically difficult part of the whole bridge is the erection of the steel deck and the supporting suspension cables which will be carried out by Cleveland Structural Engineering. The bridge is expected to be open for rail traffic in 1996.

Linking Scotland and Eire

The pipeline and offshore division of COSTAIN OIL, GAS & PROCESS has recently received contracts valued at over £24m for work in the UK and overseas.

In the Irish Sea, work on two pipeline landfalls associated with the Bord Gais Eireann interconnector project linking Scotland and Eire is about to commence with completion due in April 1993.

A contract has also just been awarded by British Gas Exploration & Production for the installation of a 5km 914mm gas pipeline across Walney Channel at Barrow, part of the North Morecambe gas field development, which is due to commence at the beginning of January for completion in September 1993.

Overseas, in the international directional drilling market, work on contracts worth more than £7m is under way or about to commence in the US, Indonesia and Europe.

Installing infrastructure

The Midlands office of CLUGSTON CONSTRUCTION has been awarded a contract to implement infrastructure works on Bass Developments Centrum 100 site at Burton upon Trent. The contract forms phase one of larger infrastructure works amounting to some £10m.

Clugston will be constructing a roundabout on Wellington Road and the first section of the principal spine road, which will provide access to up to 70 acres of serviced land.

Military accommodation

TILBURY DOUGLAS CONSTRUCTION has been awarded a £6m contract by the Ministry of Defence for the construction of accommodation facilities at HMS Collingwood in Fareham, Hampshire.

Work on the 62-week project entails the demolition of four three-storey blocks and the construction on the same site of six accommodation blocks for single junior ranks.

The contract also covers the construction of an electricity sub-station and assorted general works.

Architect is PSA Projects (London B Design) and the contract was let through the MoD's defence works services department.

ARTS

Architecture/**Colin Amery**

Beauty wrung from civic constructions

Every year the Civic Trust announces its awards for schemes that it considers to be the best contributions to the improvement of the quality of the environment. The quality of the architecture, planning, landscape and civic design are all taken into account.

In order to cover the whole country thoroughly it is divided by alternate years into the Metropolitan counties and the "shire" counties. This year is the turn of the shires of England as well as Scotland, Wales, Northern Ireland, the Channel Islands and the Isle of Man. The awards are sponsored by Redland plc.

The value of these wide ranging and catholic awards is that they paint a clear picture of the state of the arts of architecture and design. In the middle of the harshest recession in the building and construction industry for some 45 years it may be surprising to find that nearly 1,100 entries were received. Cynics may say that publicity is even more important during recession; or is it that architects and developers have time on their hands?

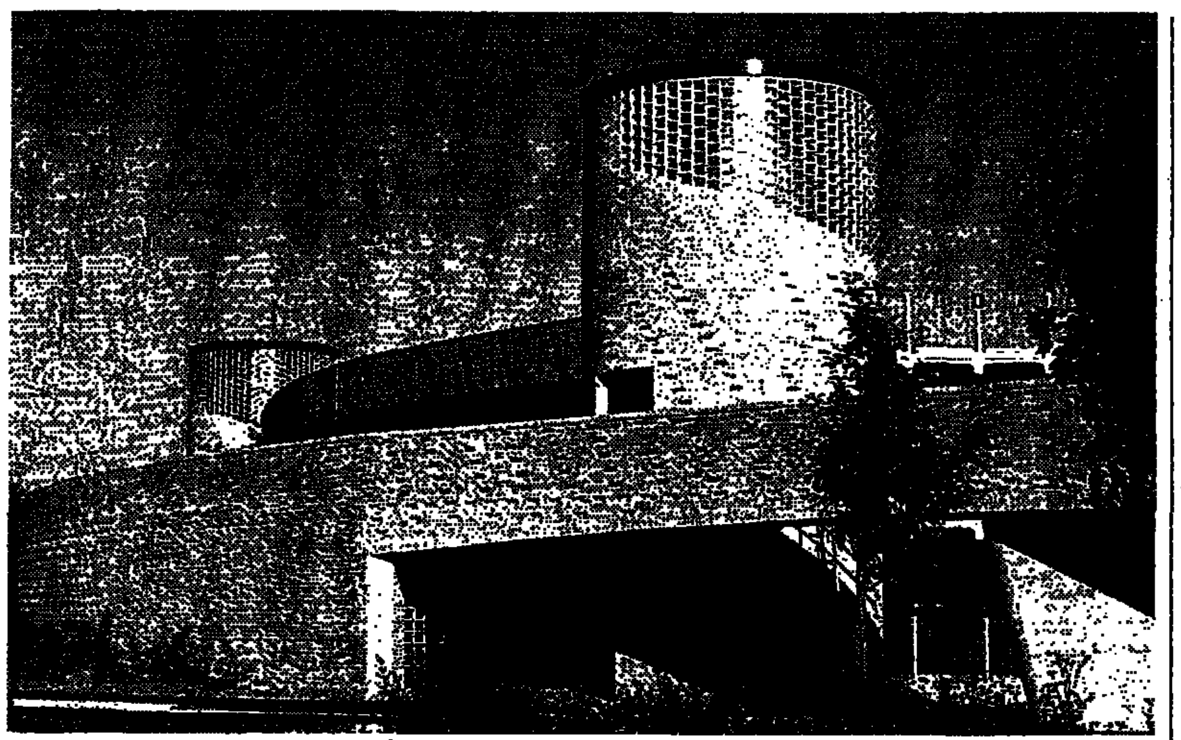
Despite the large number of entries, the trust is forced to admit that high quality new development is disappointingly rare. The assessors reported that far too many were mediocre and ordinary and that there are still far too many "overscaled, bland and totally inappropriate modern developments." It is a depressing picture of the new buildings of the last two years and a very poor reflection of the low standards that the majority of the architectural profession finds acceptable.

The report of the awards, written by the director of the Civic Trust, Martin Bradshaw, makes depressing reading. On the evidence before him of all the entries he is forced to say that the centres of too many British provincial towns and cities are spoilt by new schemes that "seem designed to secure planning permission and avoid criticism, and are all too often lifeless and ordinary." Commercial interests come in for particularly strong criticism. One assessor pointed out the horror of a group of truly awful luxury headquarters built by nationally known insurance and financial institutions.

The overall gloom of the report makes the highlighting of the few good schemes more important. There are some 18 award winners and one special Redland Prize. The winners do not exactly glow like beacons of quality, but a few are exceptional and several are on the road to excellence. In terms of sheer architectural quality, Stansted Airport and the Crescent Wing at the Sainsbury Centre for the Visual Arts at the University of East Anglia, both designed by Sir Norman Foster and Partners, are outstanding.

The two commercial award winners are good, but not quite in the Foster league. Royal Insurance House, on a landscaped country site near Peterborough designed by Arup Associates, is distinguished by its successful integration of buildings and landscape. The landscaping, a series of outdoor rooms with beech and lime plantings, is by Derek Lovejoy and Partners. The second commercial scheme is a shopping and office development in Belfast by the Building Design Partnership for John Laing Developments. I have not seen this in the flesh, but it looks to be only of average standard from the photographs.

If these awards are in any way a reflection of the economic state of the nation, then we have to face the fact that the growth area seems to be in tourism and restoration of historic buildings. The assessors were full of praise for high standard of much conservation work and it is undoubtedly true that the architects who work in this area show dedication and skills that are absent from much new development. It appears that, when faced with a clean slate, architects are unable to decide what to do with any real conviction.



The award winning Avenue de Chartres car park: already a landmark in Chichester

One award winning building is a set of studios and workshops dedicated to training courses in crafts and restoration at West Dean College, near Chichester, Sussex. In designing an addition to the long range of a partly 17th-century listed mansion, The Architectural and Planning Partnership has pulled off something of a coup. The firm has designed a strong flint and stone wing with almost William Burgess-like projecting windows: powerful stuff. At Buckfast Abbey, Devon the addition of a restaurant in stone and slate shows the value of using local materials as well as the ingenuity of incorporating the remains of a 13th-century gatehouse.

There is one inevitable but usually grim modern building that architects have failed to tackle convincingly: the multi-storey car park. This year there are two among the 18 award winners. The Cathedral and Quay Car Park in Exeter, designed by Niall Phillips Architects, is singled out for the special Redland Award because of the way it achieves the remarkable feat of fitting a car park onto a city slope, and in the process managing to dignify the whole function of car parking. The other car park award winner is the more flamboyant and controversial Avenue de Chartres car park in Chichester, Sussex, designed by Birds, Portchmouth, Russum Architects. This intriguing complex won an architectural competition, and its five circular brick towers and honeycomb brick walls have become a landmark.

Tourist buildings and visitors centres that have won awards include the extraordinary White Cliffs experience in Dover and the more discreet reception centre at Brodick Castle on the Isle of Arran. A lead mine, an iron furnace, disused Welsh quarries and restored canals all reflect the new uses for a defunct industrial past, and all are good of their kind.

But what is missing from this year's awards are any significant and good new houses. The Civic Trust rightly complains of the low standards that are accepted by the volume house builders. This is ultimately the most depressing element of all. A low standard of house design means a universally low awareness of the value of good design. And good design, like so many other values, begins at home. The people of Britain suffer from a design vacuum on the domestic front, which is not a good omen for the future.

Sponsorship/**Antony Thorncroft**

Survive, not party

This is the time of year when arts sponsorship makes news. Last week the Association for Business Sponsorship of the Arts released its annual survey of the size of the sponsorship honey pot; next Friday ABSA entertains its Patron, the Prince of Wales, and hundreds of corporate chairmen, arts directors, and general hangers on at the annual awards ceremony for imaginative (or enduring) sponsorships.

Sponsorship has so far survived the recession remarkably well. ABSA has come up with a total spend of £64.4m in 1991-92, a rise of 14 per cent on the year. However, as ever, the statistics hide the real story. Direct sponsorship has performed brilliantly, growing by 28 per cent to £57.5m while money invested in corporate membership schemes has fallen by 37 per cent to £7.8m.

It is obvious what has happened. Companies are concentrating their money on sponsorships which might give commercial benefits, and cutting back on some of their corporate memberships, which are mainly used for entertaining – sometimes directors just enjoying each other's company.

As ever festivals and opera remain the favoured areas. But while virtually all the £14.2m that festivals received was in sponsorship, opera attracted £12m this way and another £4.3m through membership schemes. ABSA's director general, Colin Tweedy, expects more growth in 1992-93, but at a slower rate.

The 30 short listed companies from over 500 nominations for Friday's prize day contain the biggest ever northern presence – six companies – reflecting the successful opening of ABSA North, based at Halifax. Among the lesser known names at the National Theatre for the awards will be Sherlock Hairshop from Hexham, which competes with Champagne Piper-Heidsieck and the Harwood Company in the First Time Sponsor category.

Other names are more familiar. Marks & Spencer and Sainsbury's battle it out with Turner Kenneth Brown for the Long Term Commitment prize while Cable & Wireless, Lloyds Bank, Brazil and Thorn EMI are the big names up for British Art Overseas. The other key "Oscar", for the best Corporate Programme, will go to either Mobil, Northern Electric or VAG.

Sponsorship is growing thanks to small and medium sized companies. The minnows seeking recognition and the Sponsorship by a Small Business prize, are Carroll, Dempsey & Thirkell, a London based design group; Edwin Shirley Trucking, also from the capital; and Renwicks Garages of Newton Abbott.

★

The manufacturers of fast moving consumer goods have been conspicuously absent as arts sponsors. This could be changing. Unilever is getting more involved through its subsidiaries like Lever Bros and Van den Bergh's. The collective pot was £50,000 to support *Hamlet* and *The Tempest* at the RSC. This allows the RSC to apply for top-up money from the Business Sponsorship Incentive Scheme, which is designed to encourage new sponsors.

The programmes and front of house material will feature three brands, Persil, Comfort and Flora, rather than the Unilever corporate identity. Another part of the group, Walls Ice Cream, has put £10,000 towards this year's Bristol Old Vic's panto, *Aladdin*. Here again, the money has been doubled through the BSIS.

★

The 1992 Mobil Playwriting Competition for the Royal Exchange Theatre has been won by Simon Burke for his play *The Lodger*. He receives £15,000 and five other writers will share £25,000. The Royal Exchange will certainly produce one of the short listed plays, ideally *The Lodger*.

The Mobil biennial is still supreme in the under-sponsored area of drama competitions. It has a good track record, with *Amongst Barbarians* and *Your Home in the West* among the previous winners. Organising the whole enterprise – there were 1,250 entries – costs Mobil £175,000, but it is sticking with the venture. Unlike some other oil companies Mobil is happy with its investment in the arts. It also contributes £175,000 to a lavish touring production of a good old pot boiler which it can use for entertaining: this year, *Charlie's Aunt*; next year, *Crucifer of Blood*.

★

The death of arts sponsorship has been much exaggerated. With good marketing of an attractive product companies are prepared to invest funds tocreate new arts events.

In May 1993 the BOC Covent Garden Festival will take place, building on a rather faltering debut in 1990. BOC is using the Festival to make a £500,000, three year, commitment to the arts. The original backer, Guardian Royal Exchange, is maintaining the link, committing £300,000 over three years, and American Express has come up with £50,000.

With top-ups from the BSIS and one off contributions, the joint chairmen of the Festival, restauranteurs Laurence Isaacson and Neville Abraham, expect to have £1m in the bank by the New Year, enough to underwrite three successive festivals.

The Festival has attracted backers because it is targetted – on youth, and on opera and music theatre. Ironically, neither the Royal Opera House nor the ENO is participating directly but Isaacson has gained access to a 2,000 seat auditorium in the heart of the district which will provide a spectacular venue for National Youth Opera: the Freemason's Hall. This will be the first time it will be open to non-Masons. The Donmar Warehouse, St Paul's Church (for Monteverdi's *Vespers*), as well as the Piazza, are other venues already booked.

★

Sponsorship in kind, and mutually beneficial deals, are a feature of the new hard-nosed attitude to sponsorship. The current Patrick Caulfield show at Hyde Park's Serpentine Gallery has a splendid catalogue, thanks to the Academy Group, publishers of Art & Design magazine.

Academy has paid for the all colour catalogue and given the Serpentine 600 copies, which should bring it over £5,000 in income. The catalogues are also incorporated in the latest issue of Art & Design, increasing its appeal. Add in a Royal College of Art dinner for the artist and the investment tops £20,000.

Ballet/**Clement Crisp**

Tales of Beatrix Potter

It is reasonable to assume that one does not see waltzing mice until *delirium tremens* has set in. The Royal Ballet proved otherwise on Friday night at the first stage performance of *Tales of Beatrix Potter* – though my suspicions are that only a company seriously in its cups would consider staging this bizarre entertainment. There were waltzing mice all over the place, and tittuping pigs, terminally winsome squirrels, a hedgehog laundress, and the entire and exhaustingly cute cast of Beatrix Potter characters whom Sir Frederick Ashton set jiggiing in a film 21 years ago.

That the film was a treat for youngest children is without doubt. Its small-scale dances, its rumty-tum music and pervasive quaintness, were a clever exercise in capitalising on a childhood classic. But that this thin stuff should be transferred to the stage; that an opera house should expend funds upon a ballet to attract a juvenile audience, when major works – *Cinderella*, *The Nutcracker* – can do this with choreographic and musical distinction; that sketchy little incidents about animals should be considered a proper use of a national ballet company, is beyond belief.

The staging is misguided and unworthy of the Royal Ballet and of the reputation of its founding choreographic genius. During seventy interminable minutes we watch serious and gifted artists scuttling about, heavily masked, paws up, whiskers a-twitch, making tiny, tiny jokes, and burdened and extinguished by bloated outfits that are scrupulous copies of Beatrix Potter's drawings, while saccharin or vulgar tunes proclaim the dubious delights of Victorian musical taste.

It is ballet conceived as the art of nostalgia – and psychologically very odd indeed. It is back-to-the-nursery as an aesthetic creed. It is entertainment for the tiniest tots that feeds off a brilliant original to make a calculated and commonplace show. It is, I am forced to conclude, a ploy by Covent Garden to bring in an audience on the tugging arms of children. It is an abrogation of the Royal Ballet's duty to show works of art.

This is ballet conceived as the art of nostalgia

The set design by Christine Edzard is anaemic and looks amateurish: washed-out backcloths with elaborate properties that crowd the stage. The dancers are invisible, their performances lost under masks and the ballooning outlines of their costumes; only Matthew Hart makes something lively of Squirrel Nutkin. Of the narrative of the tales there is but the sketchiest evidence.

Perhaps the most serious implication of this sorry affair is the existence of a body of Ashton work which should – to the advantage of audience and dancers – be restored to the repertory. Ashton, a master craftsman, made these dances for the camera and the special circumstances of the cinema. To show them on stage is to minimise their small but acutely judged effects and to minimise Ashton thereby.

The sums expended on this apotheosis of the quaint and furry might have secured the revival of Ashton's *Sylvia*, whose enchanting and witty three acts, miraculous score and brilliant design, deserve to be rescued from oblivion. *Tales of Beatrix Potter* only merits the attentions of Rentokil.

★

To complete this evening, the return of *The Dream*, not in the happiest of conditions. Originally the piece trod a skilful path over an abyss of Victorian prettiness and excessive Mendelssohnian charm. Characters had an edge: Titania was wilful, sexually intriguing; Oberon's androgynous air masked temper, passion; the lovers were sincere. The ballet is now saturated with roguishness. Neither Lesley Collier nor Bruce Sansom convinced me of the otherworldly allure of Titania and Oberon; the lovers played for laughs in a singularly leaden way. It was Tetsuya Kumakawa, giving the finest danced performance I have seen of the role, who makes Puck a truly magical being. His ability to turn and soar without apparent effort, his dazzling clarity of step, were marvellous. The rest was sentimentality – and fatal.

The programme is repeated at the Royal Opera House on December 12, 16, 22, 30, 31

Concert/**Andrew Clements**

A Venetian feast

Connoisseurs of fine Monteverdi have much to savour in London at present. Last week the New London Consort presented Philip Pickett's performing edition of the Vespers of 1610; in a fortnight's time the same performers are introducing to Britain Pickett's much more contentious version of the *favola in musica*, *Orfeo*.

Separating them on Thursday was a programme of Monteverdi that threw down no textural or musicological challenges, just a succession of delights: the Paris-based Les Arts Florissants under their founder-director William Christie offered a selection of madrigals from the seventh and eighth books, the two collections that summarise Monteverdi's secular lyricism during his Venetian years.

Christie has an unerring knack of recruiting vivid young voices to his group, skillfully deploying and complementing their talents. So for this programme he had three sopranos of vividly contrasted tone and personality, a male alto of rounded subtlety without a hint of hoot or acidic edge, and pairs of tenors and basses of disarming enthusiasm and agility. Each is nurtured and encouraged to give of their best; Christie's drawing together of the threads, relating voices to instruments (a string septet, which he directed from the harpsichord), became an ever-changing web of possibilities, constantly renewing itself.

The concern for detail that Christie lavishes on the performances – right down to his strict marshalling of every stage entrance and exit – logically informs his programme-building too.

With *Il combattimento di Tancredi e Clorinda* as the centrepiece, the concert was framed by two of the eight-part *madrigali guerrieri* from book 8, ending with the extraordinary "Hor ch'el ciel e la terra", and in between offered a tour around some of the more intimate settings. The placing of *Il combattimento* was perfectly judged to maximise its dramatic contrast, with Nicolas Cavallier as a compelling narrator, nimble never bombastic, and muscular, intense instrumental playing.

Yet the smaller-scale pieces offered equal delights: the seductive meshing of soprano (the luscious-toned Calire Brua) and men's voices in the madrigal sequence of *Lamento della ninfa*; the bright, crystalline accuracy of Sandrine Piau in "Chi vol haver felice"; the extraordinary sombre textures of "Interrote speranze" from book 7, with its pair of tenors, Bernard Loonen and Adrian Brand, emerging from a swarm of buzzing theorbo and lirone figures.

But then everything was lit with the same happy inspiration; it was altogether an enthralling occasion, a joyous feast of vital, committed singing.

INTERNATIONAL

ARTS GUIDE

■ BERLIN

CONCERTS

Philharmonie Tonight: Dresden Kreuzchor sings Christmas music (817 3364). Tomorrow: Midori, accompanied by Robert McDonald, plays violin sonatas by Schubert, Beethoven, Elgar. Wed, Thurs: Claudio Abbado conducts Berlin Philharmonic Orchestra in first of three programmes placing contemporary works by Rihm, Nono, Berio, Ligeti and Lutoslawski next to Beethoven's piano concertos played by Maurizio Pollini. Second programme is on Sun morning, next Mon and Tues, and final programme on Dec 19, 20 and 21. Also this week: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra and Ernst Senff Chorus on Sat evening in Mahler's Das klagende Lied (2548 8232)

Schauspielhaus Tonight and tomorrow: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Britten, Bartok and Dvorak, with piano soloist Deszo Ranki (2090 2261). Wed: Simon Estes sings American songs. Thurs, Fri, Sat: Dresden Kreuzchor sings *Christmas music. Sun and next Mon:* Daniel Barenboim conducts Verdi's Requiem (2090 2156)

Deutschlandhalle Tonight at 19.30: James Brown, Soul II Soul, Incognito (6959 5959)

OPERA/DANCE

Deutsche Oper Wed: Madama Butterfly. Thurs: Die lustigen Weiber von Windsor. Fri: L'Italiana in Algeri. Sat: Hansel and Gretel. Sun: Tristan und Isolde with Deborah Polaski and Rene Kollo. Dec 18: new Peter Schaufuss production of Nutcracker (3410 249)

Staatsoper unter den Linden Wed: Der Freischutz. Thurs and Sat: Daniel Barenboim conducts new production of Busoni's Die Brautwahl. Sun afternoon: chamber music concert (2004 762)

Komische Oper Tonight and tomorrow: Eine Nacht in Venedig. Wed: Die Zauberflöte. Thurs: Le nozze di Figaro. Fri: Cav and Pag. Sat: La boheme. Sun: Prokofiev's ballet Cinderella (2292 555)

THEATRE

A new Deutsches Theater production of Sam Shepard's 1980 play True West, a modern version of Cain and Abel, opens at **DT-Baracke** on Thurs, followed on Dec 22 at the main stage by Ostrovsky's The Forest, directed by Thomas Langhoff (2871 225). Tickets and information for theatre, revues, nightclub shows and concerts available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

■ GENEVA

MUSIC

This year's Christmas show at the **Grand Theatre** is a French-language version of Cole Porter's Kiss Me Kate, daily Dec 17-31 except Dec 24 and 25 (311 2311). Petr Altrichter conducts Prague Symphony Orchestra and Chorus in works by Poulenc and Martinu at Victoria Hall on Thurs (310 6611). Other concerts: on Wed, Jesus Lopez-Cobos conducts Lausanne Chamber Orchestra in works by Bach, Mozart, Moret and Haydn; Armin Jordan conducts Orchestre de la Suisse Romande on Dec 16 (311 2511)

THEATRE

Farces, an evening of theatre including works by Moliere and Dario Fo, runs at the **Comedie** till Dec 21 (320 5001). Goldoni's The Rustics, directed by Georges Wod and designed by Ezio Frigerio, opens at Theatre de Carouge on Dec 15 (343 4343)

■ MILAN

La Scala opens its 1992-3 opera season tonight with a new production of Don Carlo conducted by Riccardo Muti and staged by Franco Zeffirelli. The cast is headed by Luciano Pavarotti, Samuel Ramey, Paolo Coni and Daniela Dessi. Further performances, with cast changes, on Dec 11, 13, 15, 17, 19, 22, Jan 5, 7, 9, 12, 14. The Nureyev production of Nutcracker is revived on Sat for 13 performances till Jan 13 (7200 3744)

■ NEW YORK

OPERA/DANCE

Metropolitan Opera Tonight: Seiji Ozawa conducts Evgeny Onegin, with Thomas Hampson, Neil Rosenshein and Mirella Freni. Tomorrow, Fri and next Mon: La boheme. Wed: Lucia di Lammermoor with June Anderson. Thurs: L'elisir d'amore with Kathleen Battle and Francisco Araiza. Sat: James Levine conducts Die Walkure, with Gwyneth Jones, Jessye Norman and James Morris (362 6000)

State Theater New York City Ballet presents Balanchine production of Nutcracker daily except Mon till Jan 3, except Dec 17, 24, 25, Jan 1 (870 5570)

City Center Alvin Ailey American Dance Theater opens its Christmas season on Wed, runs till Jan 3 (581 1212)

Joyce Theater Ballet Hispanico, daily till Sun (242 0800)

CONCERTS

Avery Fisher Hall Tonight's New York Philharmonic concert marks the orchestra's 150th anniversary, with conducting honours shared between Kurt Masur, Zubin Mehta and Pierre Boulez. Wed: Christopher Hogwood conducts Handel's Messiah. Thurs: Masur conducts works by Bartok, Dukas and Dvorak, with violin soloist Isaac Stern. Fri: Andre Watts piano recital (875 5030)

Alice Tully Hall Thurs: Tallis Scholars directed by Peter Phillips. Sat: Celia Cruz, queen of Latin music, with Tito Puente *and his Latin Jazz Orchestra.* Sun: Kathleen Battle song recital (721 6500)

Carnegie Hall Fri: Mitsuko Uchida piano recital. Sun: Vienna Choir Boys (247 7800)

■ VIENNA

CONCERTS

Musikverein 19.30 Christoph Eschenbach conducts Houston Symphony Orchestra in works by Bartok and Mahler, with piano soloist Tzimon Barto. Fri, Sat, Sun, next Tues: Rafael Fruhbeck de Burgos conducts Vienna Symphony Orchestra in works by Weber, Schumann and Wagner, with piano soloist Bruno Leonardo Gelber. Dec 20, 21: Daniel Barenboim conducts Beethoven. The 1993 New Year's Day concert is conducted by Riccardo Muti (505 8190)

Konzerthaus 19.30 Georges Prêtre conducts Vienna Symphony Orchestra in Mozart's Prague Symphony and Bruckner's First. Tomorrow: Wolfgang Holzmair song recital. Wed: Sandor Vegh conducts Camerata Academica in works by Schubert, Stravinsky and Mozart. Thurs: Frans Bruggen conducts Deutsche Kammerphilharmonie in works by Mozart and Mendelssohn, with piano soloist Olli Mustonen. Fri: Melvyn Tan plays Mozart piano sonatas. Sun: concert of sacred music by Mozart and Gossec. Next Mon: Zoltan Kocsis piano recital. Dec 19, 21: Adam Fischer conducts concert performances of Mitridate. Dec 31, Jan 1: JE Gardiner conducts *Beethoven's Ninth (712 1211)*

OPERA

Staatsoper Tonight and Thurs: Katya Kabanova. Tomorrow: Laviata. Wed and Sat: La boheme with Cecilia Gasdia. Fri: Capriccio with Lucia Poppand Anne Howells. Sun: Nutcracker. Dec 19: Christoph von Dohnanyi conducts first night of Adolf Dresen's new production of Die Walkure, with Placido Domingo singing his first Siegmund (51444 2960)

Volksoper Tonight: Der Freischutz. Tomorrow: Coppelia. Wed: Don Giovanni. Thurs: Merry Widow. Fri: Der Zigeunerbaron. Sat: Die Zauberflöte. Sun: Les Contes d'Hoffmann (51444 3318)

Kammeroper The company marks its 40th anniversary with a new production of Rossini's Il Signor Bruschino, opening tonight. Runs till Jan 23 (Fleischmarkt 24, 513 6072)

THEATRE

New production of Kleist's Das Kätchen von Heilbronn, directed by Hans Neuenfels, opens at **Burgtheater** on Sat. Repertory includes Goldoni's The Impresario of Smyrna and Shakespeare's Macbeth, directed by Claus Peymann. New production of Chekhov's Uncle Vanya at the **Akademietheater** on Dec 18 (51444 2218)

● Tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2245 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0630-0800 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Monday December 7 1992

A shot across the EC's bows

TOWARDS THE end of Europe's *annus horribilis*, Switzerland has sent its own small shaft into the battered edifice of European integration. Yesterday's Swiss rejection of the European Economic Area and, by implication, the European Community was neither unexpected, nor a disaster. The longer term effects on Switzerland are likely, however, to be negative.

Beyond its frontiers, the No will delay the establishment of the free-trade area between the EC and the European Free Trade Association, which was due to have started in January. The vote delivers another jolt to EC leaders as they confront the larger conundrum: the future of the Maastricht treaty after its rejection by another small country, Denmark.

Switzerland's history of neutrality and its direct democracy make it a special case. But the vote is a further example of the volatility of electorates. As in Denmark, the Yes campaign was supported by the country's political and business establishment. Yet the people trusted their instincts more than their leaders.

The Swiss government believed the domestic recession, coupled with political changes across Europe, would make voters less resistant to diluting independence. Instead, disarray within and outside their borders may have made the electorate more sceptical about abandoning their formula for wealth and stability. The electorate was not ready to support the Berne policy of making the EEA a waiting room for EC membership. The Efta-EC link would have drawn Switzerland – with the exemption of agriculture – fully into Europe's single market. It would have dismantled some cartels, without allowing the country a part in formulating the EC laws to which it would be subject. Further ahead, Community membership would have integrated the Swiss into the Community's political and monetary union.

It would be regrettable if the electorate's vote against integration added to misgivings elsewhere in Efta about joining the European mainstream. Yet the EEA can exist without Switzerland. If, through the single market, economic integration continues, more Swiss companies may transfer manufacturing capacity abroad. In view of the sharp split yesterday between French- and German-speaking Switzerland, the larger question centres on the future of the country's own political system. When Europe was split into two blocs, Switzerland gave the appearance of a model of democracy. Now that the cold war has ended, the erstwhile paradigm may itself be weakened by linguistic division. Switzerland is strong enough to weather the short-term economic consequences of the vote.

Restoring Swiss consensus may be more difficult. As Switzerland ponders this loss of consensus, the rest of Europe must face up to the problems caused by the EC's failure so far to reconcile nationalist aspirations with the political structures needed for effective co-operation.

Urban policy

THE GROWTH of an "underclass" in decaying inner-city areas is the most formidable challenge facing western democracies in the 1990s, according to Mr Kenneth Clarke, the UK home secretary. In a thoughtful lecture to the Tory Reform Group two weeks ago, Mr Clarke acknowledged that, even when the economy was growing, it was not automatically the case that a fair share of it trickled down to inner-city residents. A partnership between the public, private and voluntary sectors was needed, he said, to help local communities find their own solutions.

These were fine words, but they were said only days after the chancellor's Autumn Statement which cut the government's urban spending plans from £987m this year to £806m in 1995-96. Within that total, the Urban Programme, the main source of regeneration funds for local authorities, is to be reduced by 66 per cent. The budgets of some urban development corporations will be cut (including that of the nascent Birmingham Heartlands UDC). Only the new Urban Regeneration Agency will receive more by the mid-1990s.

Funding is also to be cut back for City Challenge, the bidding process introduced 18 months ago to encourage inner-city councils to form local partnerships with the private and voluntary sectors to regenerate small areas. In the first two rounds of bidding, 31 of the 57 urban priority areas won £7.5m a year each of government money for five years. Many of the rest were equally deserving and hoped to be successful in a third round. But it is clear from the Autumn Statement that there will be no further rounds in the next three years. Indeed, the totals set aside for City Challenge indicate that ministers expect some winners in the first two rounds to underspend or fail to secure approval for their detailed plans.

Yet City Challenge is the very epitome of the approach commended by Mr Clarke, widely seen as a success even by local authorities which found the notion of winners and losers hard to swallow. Instead, urban authorities will be able to bid for a much smaller pot of £20m as part of a new scheme, Capital Partnership, designed to encourage councils to raise funds themselves by selling off assets. Capital Partnership may well offset the fall in established urban funding programmes overall, but there is no guarantee that it will be the most needy councils which will benefit.

Such zigzags in urban policy may reflect ministerial comings and goings at the environment department and changes in economic policy after the UK's ignominious exit from the exchange rate mechanism. But this further upheaval in the funding regime for urban regeneration will make it harder for responsible inner-city councils to plan for the future and build the partnerships Mr Clarke commends. It is certainly no way to tackle one of the most formidable challenges facing western democracies. The case for a single funding agency, at one remove from the politicians' grasp, with clear objectives and long-term stability is unanswerable.

Perilous moment

AUTHORITARIANISM is once again haunting Latin America. The second military coup attempt this year in Venezuela and Peruvian President Alberto Fujimori's dissolution of Congress in April underline the fragility of the region's democracies.

In a sense both countries are special cases. In Peru, the threat to the state from the left-wing fanatics of Sendero Luminoso and political stalemate helped to explain, if not to excuse, Mr Fujimori's move. Venezuela, one of the richest countries in Latin America, is still suffering a hangover from the 1970s oil boom and has yet to adapt its economy to a scarcity of resources.

Yet what both are suffering is a crisis of the state, and in this they are not alone. Neither provides the levels of public safety, health, education and other services required by the population, and they are no longer rich enough to buy off troublesome pressure groups. Unfortunately, most Latin American governments are in a similar position.

The temptation, when the going gets rough, is to blame liberalising and budget-cutting reforms. But it is the original system, not the effort to change it, that is responsible. Only by making their economies more responsive to market forces and by showing greater fiscal responsibility will Latin American governments achieve sustainable economic growth and combat corruption, special-interest politics and misallocation of resources.

Change may be easier for strong governments than for weak ones, yet there are things that all could do to reduce the political risks. They could better communicate the benefits of their policies - pointing out, for example, that it is the poor who have most to gain from reduced inflation. Equally, they should do more to provide targeted help where policies are hurting the poor. They should also have smaller, more professional armed forces, which means initially paying off surplus men.

On balance, most Latin American countries are still on the right track, and deserve continuing international support. Even in Venezuela and Peru there are chinks of light. The Venezuelan coups failed because the rebels failed to overcome popular suspicion of men in uniforms offering solutions to their problems. In Peru, Mr Fujimori was forced to hold elections last month to reinstate Congress. Without external pressure – mainly through the international financial institutions – it is doubtful whether Mr Fujimori would have made this concession.

Recent political troubles should be taken more as signs of progress than of despair. As De Tocqueville wrote, the most perilous moment for a bad government is when it seeks to mend its ways.

Economic reform is the priority for the winner of next week's elections in South Korea, writes **John Burton**

Race to unchain the dragon

When South Korea's military rulers backed down in the face of mass protests and granted free elections in 1987, the country faced two big questions. Could it achieve the transition to democracy? And could it do so while maintaining the economic success which had made it one of the most dynamic of east Asia's dragon economies?

Next week's presidential elections are proof of progress on the political front. Mr Roh Tae Woo, the outgoing president who is constitutionally barred from standing again, will be the first leader to preside over a peaceful transfer of power since the republic was founded in 1948. For the first time in almost 40 years all of the principal candidates are from outside the military elite.

The race between the three leading candidates is turning into a cliffhanger. There is a ban on publishing opinion polls, but private polling by the political parties suggests that Mr Kim Dae-jung of the main opposition Democratic party is closing the gap on the frontrunner, Mr Kim Young-sam of the ruling Democratic Liberal party (DLP). The third candidate, Mr Chung Ju-yung, founder of Hyundai which is South Korea's largest conglomerate, is winning votes at the expense of Mr Kim Young-sam. He could tip the election in favour of Mr Kim Dae-jung.

In terms of policy, there is little to separate the candidates. All would be regarded as centre-right by western standards, although Mr Kim Dae-jung – a veteran opposition leader who was imprisoned under the military government – is regarded as closer to the labour movement than his rivals. Mr Kim Young-sam was also a leading opposition figure during the 26 years of military rule which ended in 1987. He joined the ruling party in 1990. Mr Chung Ju-yung, meanwhile, unlike his opponents is a political novice. He is the first industrialist to campaign for the Blue House, the presidential office in Seoul.

But whoever becomes the next president, he will face a big economic challenge. Korea's competitiveness and growth have fallen sharply since 1987. Reversing this trend will require economic reforms as extensive as the democratic changes Korea has undertaken.

The reforms are necessary to guide Korea from a *dirigiste* economy controlled by five-year plans to a competitive and deregulated free-market system. They are also needed to achieve the country's transition from a maker of labour-intensive, low-quality products, to a high-tech industrial power.

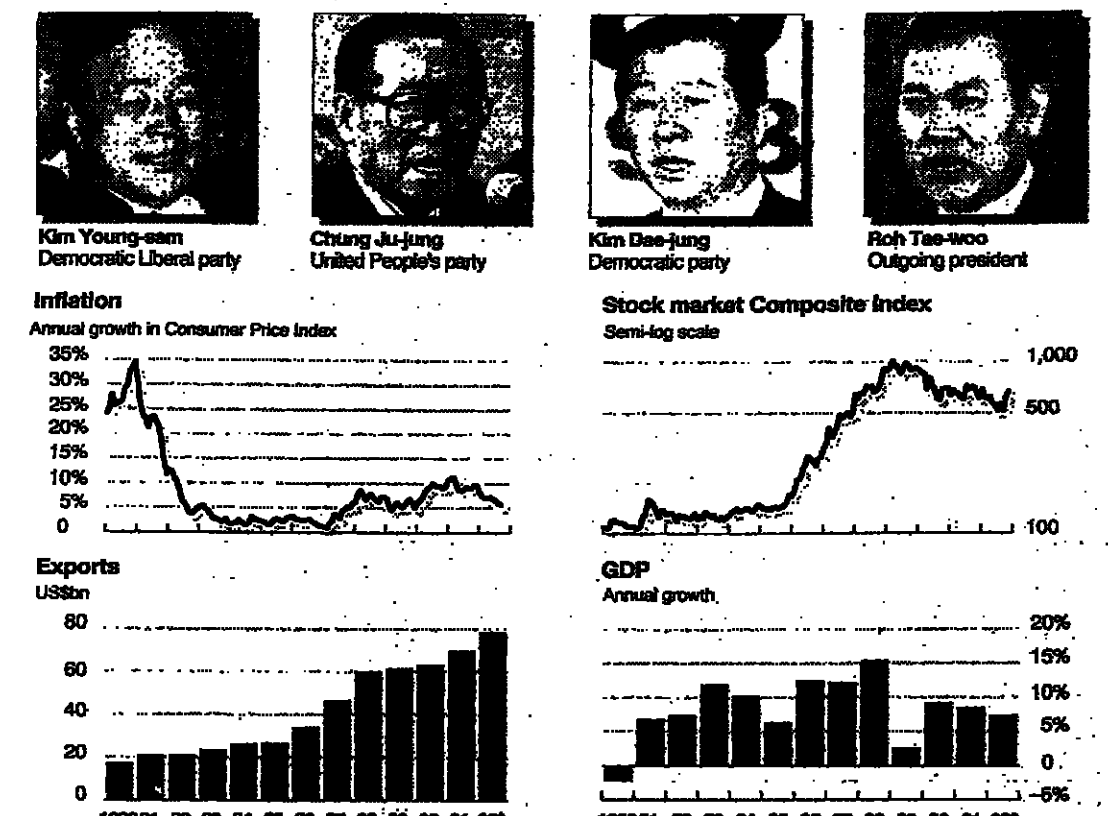
The introduction of democracy has encouraged economic change by loosening some government controls, such as suppression of the trade unions, which had kept wages low and supported the country's rapid push to industrialise since the 1960s. Reforms have become increasingly necessary, because the expansion of Korea's economy has made it much more difficult to manage by bureaucratic fiat.

"We need to build a new economic structure appropriate to democracy. Our economy is still geared to the authoritarian past," says Mr Park Jae-yoon, economic adviser to Mr Kim Young-sam.

The fact that the economy is the main election issue indicates the healthy state of Korean democracy. The survival of political reforms is no longer an issue as it was in the 1987 presidential election.

The fundamental support for democratic development is in place.

South Korea: counting the cost of democracy



The rise of an affluent, educated middle class is an important factor, and Koreans have grown accustomed to exercising their democratic powers: at least 80 per cent are expected to vote in the election.

The possibility of a military coup is remote. "Direct military intervention is now virtually impossible," says a western diplomat. "The army has become more democratic and the mood of the populace would make it difficult for the military to govern again."

Nonetheless, Korean democracy has some rough edges. Political corruption is widespread. Personalities, rather than ideology, dominate politics, which means that parties are subject to factional infighting.

"Korea's current system of democracy is far from perfect. But the country will remain stable politically. The system is still evolving, but the major issues have been settled," says Ms Christine Hill, a political analyst for the Seoul office of stockbroker W I Carr.

The progress of democracy means that Korea's new president can devote more attention to the economic rather than political reform. The economy has fluctuated sharply in the past five years: growth in real gross national product fell from 13.1 per cent in 1987 to 6.8 per cent in 1989, rebounded to 9.3 per cent in 1990, before slowing again. In the third quarter of this year, GNP rose by just 3.1 per cent, the smallest quarterly increase since 1981, when Korea was reeling from the slowdown in the international economy prompted by the Opec oil price shock.

There are several factors behind the erratic performance. One is the growth of the previously suppressed trade union movement and the strong negotiating power that workers have in an economy where the unemployment rate of just 2.4 per cent has created labour shortages. Between 1988 and 1991 wages increased by an average annual rate of 20 per cent, eliminating Korea's advantage as a source of cheap labour. The rise in labour costs was not matched by productivity gains.

The result was a sharp fall in competitiveness. Export growth fell from 28 per cent in 1988 to 3 per cent in 1989. The current account, which hit a peak surplus of $14bn in 1988, fell into a deficit of $8.7bn last year.

Faced with this downturn, the government panicked. It launched the biggest infrastructure programme in the nation's history, including the construction of 2m housing units, in an attempt to compensate for falling exports with stronger domestic demand. But this caused the economy to overheat by creating inflationary shortages of labour and construction materials.

Inflation climbed from 5.7 per cent in 1989 to 9.7 per cent in 1991, prompting another rethink in policy. The result was a decision to cool the overheated economy earlier this year by squeezing the money supply and by postponing public expenditure projects. This caused the current slowdown in growth.

The government and most private economists believe that the economy is now showing signs of sustainable improvement. Growth in average wages is expected to slow to about 10 per cent this year and unit labour costs to fall next year as productivity improves. As a result, the Bank of Korea, the country's central bank, predicts that inflation will slow to 6 per cent this year.

On the trade front, too, there are grounds for optimism. Import growth has slowed to a single-digit rate, while exports are this year expected to rise by almost 10 per cent. Part of this improvement reflects a depreciation of the Korean currency, the won, and a shift by exporters away from the markets of the US, Japan and Europe to faster growing markets in south-east Asia and China. The current account deficit is expected to narrow to $4.5bn this year and the government forecasts a surplus by 1994.

Although most economists in Seoul expect that it may take another year for Korea to return to steady growth, the new president will then have a more secure base to tackle the main structural challenges confronting the economy. These include:

- Strengthening industry's technological capability. Korea's export success – which has made it the world's 11th largest trading nation – has been based on the mass production of low-technology, high-volume goods. But the increase in the costs of production, particularly labour costs, is forcing Korean companies to produce higher quality, more sophisticated products.

To achieve this, industry needs to spend much more on developing technology. Total annual corporate research spending in Korea amounts to $4.5bn, about the equivalent of research investments made by General Motors or IBM, according to the Korea Development Institute, the government policy centre. Only a handful of companies, such as Samsung Electronics, one of the world's largest manufacturers of memory chips, and Hyundai Motors, the country's largest car manufacturer, have large research budgets at present.

The government wants to raise research spending from 1.7 per cent of GNP to 5 per cent within the next decade. To achieve this target it is offering tax incentives to encourage corporate research. It is also giving funds to joint government-business projects, such as plans to develop advanced memory chips and high definition television systems.

- Financial liberalisation. Government control of the banking system, in particular its setting of borrowing rates, has resulted in an inefficient distribution of capital. Interest rates are 5-7 percentage points higher than international borrowing rates, depriving companies of the capital necessary for investment in research and machinery and placing a heavy burden on their balance sheets. This puts Korean industry at a competitive disadvantage with regional rivals where the cost of finance is much less.

The government has drawn up a plan for deregulating the country's capital markets, but implementation of the most important reforms has been delayed until 1997. This is largely the result of pressure from the economic bureaucracy, which jealously guards its control of credit, and from the commercial banks which are vulnerable to the competition which would result from financial liberalisation.

There is agreement among the presidential candidates that government intervention – in particular of the financial system – is hindering economic development and that reform is necessary. "The government likes to keep its fingers in the economy, but it is running out of fingers as the economy becomes more advanced. It can no longer manage the economy as it once did," says Mr Yoo Jong-keun, economic adviser to Mr Kim Dae-jung.

Whether any of the presidential candidates will have the commitment to tackle the bureaucracy remains to be seen. "Every candidate says he wants to deregulate. But politicians have similar mindsets to bureaucrats, they want to keep power," argues Mr Lee Hahn-koo, president of the Daewoo Research Institute.

Keeping power may mean exercising a lighter grip on it. The next president will be judged by his ability to rekindle the economy. He may well conclude that loosening the government's control of the allocation of financial resources is the best way to achieve this. Deregulation would not only improve the country's industrial performance, but also transform Korea into a more democratic state by diluting bureaucratic power.

Samuel Brittan

Faults in EC package

The so-called EC growth package lies mainly in the realm of gesture politics. The Ecu60bn a year injection of demand, first mooted in Brussels, was obviously meant to be 1 per cent of Community GDP – something like its budget - rather than a specific programme. The likely EC action, involving the European Investment Bank, is about a tenth of that amount.

Meanwhile the British government mainly wants to give the label "growth package" to what it has already announced in the Autumn Statement in which it supposedly "rebalanced" expenditure and which it holds out as an example to other governments. As for the genuine growth package proposals, there is a danger that they will come too late. They are being brought up just as the first signs of recovery are appearing in at least some parts of the international economy. There is thus a risk of aggravating rather than dampening the boom and bust cycle. The risks of mistiming are greater at the international level, where the lags between diagnosis and policy implementation are even longer than they are domestically.

Admittedly, mere signs that output may no longer be dropping (outside Germany) or could be rising slightly do not themselves make a growth package mistimed. An anaemic recovery which increased the gap between actual and potential output, and was accompanied by high and rising unemployment, would still be a case for treatment. But would a conventional package be the right treatment for such below-par performance?

The one precedent we have to go on is at the level not of the EC, but of the Group of Seven countries at the Bonn summit of 1978. This was undertaken fairly late in the recovery phase of the business cycle, when it was felt that the upturn was not strong enough to make a sufficient dent in world unemployment. The centrepiece was a promise by the German government to stimulate demand by 1 per cent of GDP.

Many participants subsequently concluded that it had all been a mistake and merely aggravated the inflationary boom of 1979, which coincided with the deposition of the Shah of Iran and the consequent shock to oil prices. Some, such as the former German Chancellor Helmut Schmidt, changed their minds more than once on the issue.

A proper analysis, either of the 1978 package or the one suggested now, would have to take account of the elementary fact that a fiscal stimulus – whether government spending or a monetary relaxation

A concerted tax cut is less open to the objection that the extra spending will leak abroad

– can only add to spending in money terms. Whether the result is real growth, just more inflation or some mixture of the two depends on the state of the economy and on the reactions of businessmen, unions, financial market participants and many other economic agents.

Although it took place all those years ago, there has never been a proper analysis of the Bonn summit package. It was simply assumed that all the stimulus represented real goods and generated more jobs. The same naive assumption is being made by the more enthusiastic proponents of concerted EC action today. This confusion between nominal and real is especially likely when all the talk is of infrastructure projects. It is taken for granted that bridges, roads and buildings must add to GNP. This is to reckon without the more far-reaching effects on wages, prices and interest rates, and second and third-round effects in general.

There is a more far-reaching criticism. It is taken for granted that, if the economy needs a kick-start, it must always take the form of public investment and never of tax cuts. There is no warrant for such belief, which is simply a return to the conventional wisdom of the pre-Thatcher and pre-Reagan eras, without anything having been learnt in between. If it really is true that the European economy needs a demand stimulus, and that stimulus has to take in part a fiscal form, then it is just as appropriate to have temporary tax cuts.

A tax cut is quicker to implement, and quicker to reverse. It is not, of course, plain sailing. An income tax cut known to be temporary might have reduced effects on spending. On the other hand, a temporary VAT cut might bring people into the shops more quickly, but would not have the same incentive or supply-side effects. Nevertheless any kind of temporary tax cut would avoid the danger of a continuing upward drift in national debt ratios.

Above all it would avoid the danger so apparent in the British plans, which show public expenditure rising to more than 45 per cent of GNP next year. The alternative of a concerted tax cut among several countries is moreover much less open to the objection that the extra spending will leak abroad, as one country's leakage will be another's stimulus. We are mainly talking about the need to find some fiscal kick-start until German interest rates begin to tumble, as they surely will before we are many moons older; and for that purpose, a temporary tax cut meets the bill admirably.

Twelve men in search of a common meaning

At Edinburgh, EC leaders face the daunting task of clarifying the concept of subsidiarity, say **Andrew Adonis** and **Andrew Tyrie**

The European Community's leaders will try once again at this week's Edinburgh summit to make sense of subsidiarity, the idea enshrined in the Maastricht treaty that Brussels should not interfere in matters best left to member states.

A year ago, subsidiarity seemed an elixir for all the Community's ills. Back in 1989, when Mr Jacques Delors, the European Commission president, was seeking to exorcise Lady (then Mrs) Thatcher's nightmare vision of a "European super-state", he invoked it as the means to reconcile "what for many appears to be irreconcilable: the emergence of a united Europe and loyalty to one's homeland; the need for a European power capable of tackling the problems of our age and the absolute necessity to preserve our roots".

The history of the term should have made us suspicious from the start. For subsidiarity is a chameleon, changing its colour to suit the beholder. To the Vatican in the 1930s, it meant keeping Mussolini's fascist tentacles out of Italian education. For postwar Germany, the term helped provide a justification for a federal division of powers between Bonn and the *länder*.

Subsidiarity is really no more than shorthand for two platitudes as old as politics itself: that political authority should be exercised at the level most appropriate to the function in question; and that government of any kind should supplement, not replace, action by individuals and families.

Turning those maxims into a constitutional principle regulating the Community's authority was always bound to cause trouble.

It came at Maastricht. The formula agreed in Article 3b conflates a hotchpotch of vague and conflicting meanings. One sentence permits Brussels to do whatever is "necessary" to achieve any of the treaty's widely-drawn objectives (eg: "to promote economic and social progress"); another states that, in areas of shared competence, Community action will be tolerable only if a specific policy goal cannot be "sufficiently achieved" by member states. In the latter case, Brussels may act if it believes it can do better "by reason of the scale or effects of the proposed action".

Since the treaty does not demarcate areas of "exclusive" and "shared" powers, the scope of subsidiarity is left as unclear as its definition. Even if it were clear, there is no agreement on whether it is applicable at all in areas of exclusive competence, such as agriculture, where the treaties oblige the Community to act. The British government asserts that it is; the Commission that it is not.

As Lord Mackenzie-Stuart, former president of the European Court, writes in a foreword to our study of the issue published today*: "The paragraph on subsidiarity is a disgraceful piece of sloppy draftsmanship, so bad that one is forced to assume it must be deliberate."

Deliberate or not, the ambiguity has enabled every Community politician to claim it for his own. Mr Major hails subsidiarity as a triumph for decentralisation, even a licence to repatriate existing Community activities. The poorer states invoke it to support an extension of Community policies, often travelling under catchphrases such as "cohesion", which will enable them to obtain budgetary transfers – transfers they are clamouring to increase.

As for the Commission, its latest document on the subject asserts that "the subsidiarity principle regulates the *exercise of powers* rather than the conferment of powers". This is a pointless distinction for those large fields of potential Community competence agreed at Maastricht, within which subsidiarity was intended to act as an effective check. Or rather, its only point is that it gives an initial presumption that the Community may act, fortified by the document's insistence on subsidiarity going hand-in-hand with the principle of "proportionality" – more Euro-jargon, meaning: "don't use a sledge-hammer to crack a nut". By that interpretation, subsidiarity is largely about the management of Community action.

In the Maastricht treaty, 'the paragraph on subsidiarity is so bad that one is forced to assume it must be deliberate'

Since Article 3b will be justiciable, all this promises to turn the European Court of Justice into a cockpit of controversy, forced to reach political decisions on political criteria. Are standardised speed limits, environmental impact assessments and a waste land fill directive "necessary" to fulfil the Community's obligations? Can protection for animals in zoos, or harmonisation of company law, be "sufficiently achieved" by member states, or do the "scale or effects" justify intervention from Brussels? The judges may soon have to decide.

Despite this farrago, Article 3b – and subsidiarity – are here to stay. Renegotiation would be too dire a prospect for the EC's leaders to contemplate. So what is to be done?

For subsidiarity to have any chance of providing an effective basis on which to arbitrate between conflicting views of the Community interest, the minimum task at Edinburgh is to improve Article 3b in three ways: by defining it less ambiguously, by clarifying its scope (what it should apply to), and by giving it teeth with a "subsidiarity veto".

● **Definition.** The words "scale or effects" need to be defined more closely. Commission initiatives should be limited to proposals on policies which, if left to member states, would have appreciable cross-border consequences, or to policies which can be shown to achieve significant overall economies of scale. To focus attention on this subsidiarity test, and provide a basis for adjudication by the Court should it be sought, the Commission should be required to justify its proposals in those terms, and the Council of Ministers should append a subsidiarity statement to all legislation it enacts.

● **Scope.** Subsidiarity, however defined, should apply to existing Community policies, and to action proposed within areas currently held to be the exclusive competence of the Community.

● **Subsidiarity veto.** Where any two member states believe a proposed measure is incompatible with subsidiarity as defined above, they should be able to exercise a suspensory veto – that is, a power to refer for further consideration on grounds of subsidiarity any proposal for a period of up to two years.

"Strange fate for a word to have a use before a meaning," remarked Mr François-Xavier Ortoli, a former Commission president, recently. If subsidiarity does not acquire an agreed meaning soon, it will be of little use, and much danger, in the times of adversity already engulfing the EC.

* *Subsidiarity: No Panacea, European Policy Forum, 20 Queen Anne's Gate, London SW1H 9AA. £5.*

Andrew Tyrie, a former adviser to John Major, now an economist at the European Bank for Reconstruction and Development, writes in a personal capacity

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Supervisor training crucial

From Mr Howard A J Jordan.

Sir, I agree wholeheartedly with your correspondent Peter Marsh ("Japanese find UK lacks supervision", November 26) on the subject of supervisor training.

For a number of years now I have been beating the drum in Scotland to encourage companies to appreciate the benefits of training their first-line supervisors. And only recently, in the last 18 months or so, have companies really started to address the problem.

It is unfortunate that it has taken a comparison with another country – Japan – to show just how important it is for a firm to develop its people. Not only for the firm to benefit, but also to give the workforce the necessary skills to compete in the world market.

As your article points out, a supervisor is not only someone who is familiar with technology and machines, but is also skilled in human relations and creating team spirit.

The role of the supervisor in industry is changing rapidly with the introduction of more flexible manufacturing systems and the development of "flatter" organisational structures. This increases the importance of the improved selection of supervisor and the provision of training with greater breadth and depth.

Government must recognise the need for a higher standard of supervisor training, and training and enterprise councils and local enterprise companies should encourage the provision of such training.

Howard A J Jordan,
chief executive,
Scottish Engineering,
105 West George Street,
Glasgow G2 1QL

Tax point

From Mr N Dack.

Sir, Now that Her Majesty the Queen is to become a taxpayer, should we expect to see the "By appointment" crest on our 1993-94 tax return?

N Dack,
29 Portersfield Road,
Norwich NR2 3JT

Location inspires long-standing indecision in the EC

From Rüdiger von Wechmar, MEP.

Sir, Observer noted in "Talking heads" (December 3) that Euro ministers could not agree on the location of a future European Drugs Agency. The question of seats for European institutions, and the hassles between member states that go with it, is now 41 years old.

Even today, the EC Commission, the Council and the European Parliament have no permanent seat. The EC Council, composed of ministers from national governments, has to decide unanimously on matters of seats or locations. Unanimity could not be reached in the past because France insists that, first, Strasbourg must become, officially and finally, the seat of the European Parliament.

Several other decisions are pending, such as the location of the European Environmental Agency and the future central bank.

In 1951, the foreign ministers of the six-nation Coal and Steel Community tried, and failed, to decide where the future capital of Europe should be located. I was then a United Press correspondent covering that meeting in Paris. It was 3.30 in the morning after endless hours of discussion when Konrad Adenauer emerged from the conference room, shaking his head, murmuring "poor Europe". Each member state had made several proposals, he said, "but when Luxembourg suggested (as its umpteenth proposal) to have Europe's capital in Mondorf-les-Bains, I left. I do not even know where it is and how it is spelt."

That was 41 years ago.

Rüdiger von Wechmar,
D-8000 Munich,
Amalienstrasse 45,
Germany

Esoteric, burdensome index

From Mr Martyn Arbib.

Sir, The sole purpose for which my fund managers turn up to work is to achieve above-average investment performance – whether it be gauged from beating an index or making superior returns to our competitors'. Our UK department has achieved significant success in this objective over the years.

The additions to the FT-A All-Share Index list in your paper on December 4 include such esoteric names as TR Pacific Investment Trust, EFM Dragon Trust, Foreign and Colonial Germany Investment Trust, Martin Currie Pacific Trust, German Smaller Companies Investment Trust, Abtrust New Dawn, etc. Our clients investing specifically for UK investment in our UK funds would not appreciate it if our UK fund managers invested in a selection of these investment trusts. The inclusion of these 100 per cent overseas investment trusts in the FT-A All Share Index places an additional and unnecessary burden on our UK fund managers in years when the UK market underperforms other world markets, particularly if I reviewed their salaries on how they have performed against the FT-A All Share Index.

Martyn Arbib,
chairman,
Perpetual,
48 Hart Street,
Henley-on-Thames,
Oxfordshire RG2 2AZ

Duly noted

From Ms Lorna Sinclair.

Sir, We note Mr Nuttall's letter of December 2. We do not comment in public on any individual case, respecting confidentiality, but would like it to be known we are following up this matter direct with Mr Nuttall.

On a general point, we operate within a tightly defined legal framework and are accountable to parliament for the way in which our business is carried out. Our aim is always to deal sensitively with all cases.

Lorna Sinclair,
head of information,
HM Customs and Excise,
New King's Beam House,
22 Upper Ground,
London SE1 9PJ

Chapter 11: a good means to get things right

From Mr Richard J Singer.

Sir, The article, "Stepping back from the brink" by Mr Thomas Wyatt (Management, December 1) was of great interest.

CVAs (Company Voluntary Agreements) appear remarkably similar to Chapter 11 of the US Bankruptcy Code, save some of the legal safeguards. The benefits of Chapter 11 often outweigh the risks, even in the litigious US. The company remains in operation. Employees still have a job. Contingent liabilities, which are often very sizeable, can be retired in an orderly manner. Furthermore, and rarely considered, customers are not left high and dry.

Most important, management which best knows the business and how the company got into trouble, is empowered legally with the responsibility to get things right. The result is often a company which reinvents itself. A company which is forced to focus on every available resource in order to extract maximum value.

Chapter 11 thus has not only the obvious economic rationale. It is also a potent fine-tuner of human capital. Assuming that those most damaged by the past will learn from mistakes, the Debtor in Possession (as called in the US) of necessity becomes a more flexible, a better "educated" and a more creative manager.

A step back from the brink can be a galvanising event on the way to greater capabilities for the survivor.

Richard J Singer,
president,
Singer Products Export Co,
107 Northern Boulevard,
Suite 400, Great Neck NY 11021

OBSERVER

Meaningful dialogue

■ Whatever the contention over who is to be the 1992 European of the Year, there is no doubt about the EC's Word of the Year. "Subsidiarity" wins by a landslide.

A search of the FT database reveals that Britain's broadsheet newspapers have so far employed the dread term 1,437 times since last December. That is quite an achievement, considering – as the article above shows – there is as yet no officially agreed definition.

Filling the semantic gap will be one of the tasks for European Community eminences at the coming weekend's dialogue in Edinburgh. Any temptation to feel sorry for them should be resisted, however, because the EC leadership brought the task on itself with its communiqué on economic and monetary union following the June 1989 Madrid summit.

Before 1989 there had only ever been three references to the term – which means, broadly, taking decisions at the appropriate level. But although the Madrid conferrants had the decency to put the word in tentative inverted commas, after them came the deluge of obscurity.

So it is right for their successors to have the job of clearing up the confusion. If all else fails, they might at least ban the term entirely from the Edinburgh summit's official emanations.

...the menace

■ Lord Healey's banishment to the Upper House has not blunted his ability to sum up his Tory opponents.

The 75-year-old peer – who as plain Denis won a place in the Oxford Dictionary of Quotations by likening the impact of Lord Howe's debating skills to "being savaged by a dead sheep" – produced a few more sallies yesterday on breakfast TV.

For starters, Healey thought Premier John Major resembled Eddie the Eagle: so far from being up to the job that there were rumours he was in line to run the game show, "Sorry, I Haven't a Clue". To follow, he had embattled the chancellor of the exchequer, Norman Lamont, behaving "like a disgruntled chihuahua".

Initially free

■ BT, Britain's biggest company, seems to be taking penny-pinching to a ridiculous extent. It contacted a colleague's husband the other day to ask whether he wanted all four of his initials to appear before his surname in the phone directory for his about-to-be-purchased house. He could have three for free, but the fourth would cost him £3 a quarter extra.

Obviously a new money-making rule; he has all four in the 1992 directory without having incurred the extra charge.

Speech therapy

■ South African society has always had a first-world and a third-world sector, and never the twain did meet. But now the first-worlders are to get access to the healing powers of the third world via Telkom, the state telephone monopoly.

For R6 a minute (£1.20), anyone with a phone can consult a *sangoma* or traditional Zulu spiritual healer, to cure ailments of the mind or body. The *sangoma* will in turn consult the caller's ancestral spirits to find out the cause of the ailment and the cure. (That is done through mystical channels, without recourse to Telkom, it seems.) Given that 80 per cent of South Africans regularly consult traditional healers, the service could well prove popular.

If callers do not like what the *sangoma* has to say, however, they can try Telkom's alternative services: SexTalk, LoveTalk or the Princess Diana tapes.

"I want to take out a loan to pay off my bank charges"

Holding on

■ News that a replacement is being sought for James D Robinson III – chairman, chief executive and chief quality officer of American Express – raises the question of whether he would have been allowed to cling on for so long if he had not combined the role of chairman and CEO.

American Express's spectacular growth in the 1960s and 1970s owes much to Robinson's predecessor, Howard Clark, who dominated the company for 17 years as both chairman and chief executive. However, one of the perks – and dangers – of a powerful chairman is that he gets to choose his replacement.

Hence Robinson's appointment in 1977, followed fairly soon by the departure of his main rival for the top job, Roger Morley. Since then Robinson has held sway in Amex's well-connected boardroom, as witness his seemingly influential role in the search for his successor.

Until very recently, combining the role of chairman and chief executive has been the norm in most US boardrooms. According to headhunter Korn/Ferry International only 20 per cent of major US companies split the job of chairman and chief executive, and no more than 5 per cent of large businesses appoint an independent director rather than a retiring insider as chairman.

Nevertheless the recent reshuffle at General Motors, where retired Procter & Gamble chairman John Smale has taken on the GM chairmanship, suggests that fashions are changing.

If a blue chip like American Express were to follow suit by importing an independent as chairman – instead of just passing the job on to faithful Harvey Golub – it might even be worth calling a trend.

Horse sense

■ Certain readers have been aggrieved by Observer's report that the City of London police horse named after past police committee chairman Geoffrey Gass is being called, not by his surname as is customary, but Geoffrey.

"I can understand a reluctance to name the poor animal Gass," writes Alison Bailey of Hamburg, "but why not just use the ex-chairman's initials?

"Gee-Gee has a certain ring to it..."

FINANCIAL TIMES
Monday December 7 1992

Russian Congress may vote to remove Yeltsin's prime minister

Gaidar at centre of power battle

By Leyla Boulton in Moscow

MR Boris Yeltsin's parliamentary opponents, smarting at their failure at the weekend to deprive the Russian president of his power to form governments, are likely to return to the offensive today by *refusing to endorse Mr Yegor* Gaidar as prime minister.

Members of the Congress of People's Deputies hope to put a stop to economic policies they have described as "contrary to the interests of Russian citizens" by voting to remove Mr Gaidar, the acting premier whose name has become synonymous with market reform in Russia.

In last minute brinkmanship, the government last night issued a statement warning Congress that it would resign en masse *unless Mr Gaidar was approved* as premier, the only post which would allow him to "effectively conduct reforms".

Congress's failure – by four votes – to endorse a move giving parliament the right to appoint *the cabinet spared the country* a constitutional crisis. The president did hint that he would have dissolved the full parliament had it taken any other decision.

Even if Mr Gaidar's endorsement is defeated, President Yeltsin can still keep him on as acting prime minister for another three months, while he comes up with another candidate.

Such a vote against Mr Gaidar, coupled with a Congress resolution calling his performance "unsatisfactory", would make life *more difficult for the government* in the interim.

President Yeltsin's negotiations with the centrist Civic Union group may yet result in a compromise which would alter the composition of the cabinet while *finding some* way for Mr Gaidar to retain control over economic reforms – which have already moved a long way to accommodate many opposition demands.

Mr Alexander Shokhin, a deputy prime minister, said the result of today's vote would depend on "the mood of the deputies" following the failure of their attempt to curtail President Yeltsin's powers on Saturday.

In secret ballots held on Saturday, the Congress also failed to secure other constitutional amendments giving it the right to veto the creation and disbanding of various ministries.

But Mr Ruslan Khasbulatov, the parliament's chairman who has orchestrated opposition to Mr Gaidar, warned President Yeltsin that his victory at the weekend was only temporary. "If you continue to strive for absolute rule, this Pyrrhic victory will be the last one and it will lead to the destruction of our country."

Mr Vladimir Shumeiko, the first deputy prime minister, said the government's main challenge now was to achieve tangible successes in time for the next Congress scheduled for April.

Background, Page 3

Scale of Somalia's agony to challenge relief effort

By Julian Ozanne in Bardere

In the midday heat yesterday, one of Bardere's 60 grave diggers dragged two small corpses wrapped in white cotton shrouds on a wooden harness along a dusty track.

In the distance, in the middle of a vast field of freshly-turned earth mounds, a colleague was busy with a pick-axe digging a shallow grave – his tenth before midday.

Without ceremony or grief, the bodies of the children aged seven and nine were buried in unmarked graves along with thousands *of others who have* died in the past three months in Bardere, a tumble-down town which is the scene of some of the worst horrors in war-ravaged Somalia. Bardere is 300km west of Mogadishu, the capital.

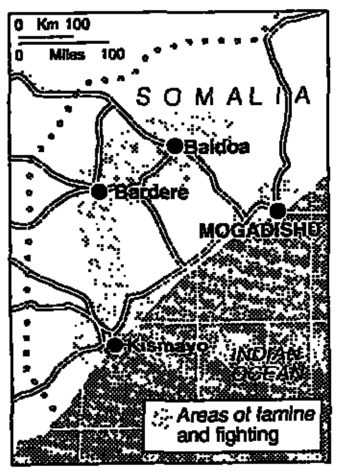
Throughout the country at least 300,000 people have died this year and a further 500,000 to 900,000 are facing imminent death from starvation unless food is delivered within the next eight weeks.

US marines poised offshore to land in Somalia within the next 48 hours will have to move swiftly to deal with the appalling situation in Bardere and other towns if they are to achieve their humanitarian mission. The US *military intervention, which will* number 28,000-33,000 troops by Christmas, will set a precedent for massive foreign action in Africa to guarantee the delivery of food aid to starving people.

Observers say it will be relatively *easy for the large and well*-armed force to secure Mogadishu on the coast and the southern port city of Kismayo. Much more difficult will be launching a big operation to take food and relief workers by truck, aircraft and *helicopter to the inaccessible* south-western "triangle of death" between Bardere, Kismayo and Baidoa – including the marginalised Bantu people living along the Jubba river.

In an intensive feeding centre *of sticks and plastic sheeting* near Bardere's graveyard, at least a dozen skeletal children were yesterday sliding hopelessly and apathetically towards death from hunger and related sickness – too weak even to get up and defecate outside. A Somali aid worker approached a mother holding her dead child and gently took the girl out of her arms. The loss of a third child in three weeks left the mother too stunned to weep.

At another feeding centre nutritionists were yesterday registering severely malnourished



children. A 14-year-old girl, her skin wrinkled over her bony body and ribcage, was weighed at 16 *kilograms – just over half the* average weight for a girl of her age and height.

Aid workers grappling with the catastrophe in Bardere say death, disease, and hunger have gripped the district's 170,000 people in a *tragedy of biblical proportions*. According to the US-based charity Care, 160 people, mostly young children and women, die in the town every day.

A seemingly pointless civil war has inflicted remorseless suffer*ing on the people. The town* has changed hands three times in the past 18 months and each time things have got worse as militia gunmen go on a rampage of looting and rape. Two months ago Bardere fell to the clan-based fac*tion led by Gen Mohamed Said* Hersi Morgan. Aid workers had to be evacuated and the death rate rocketed from about 35 a day to 307. Gen Morgan immediately mined the road from Bardere to Dinsor, the front line, preventing aid workers from reaching the villages where people are dying an unseen death.

Since aid workers returned in late October they have been hampered by looting, banditry, hijackings and endless negotiations with Gen Morgan's officials. Last Friday, at 2.30am gunmen guarding a UN compound broke inside, stole 3m Somali shillings (£770) and hijacked the UN's only four-wheel drive car.

Aid aircraft flying food into Bardere have been shot at. Care has been forced to pay SSh8m a week in airport fees and SSh18m a week in wages to armed guards sup*plied by Gen Morgan. It has also* been forced to give the gunmen diesel fuel.

"The security problems are beyond the ability of Gen Morgan's officials to control," said Mr Robert Allan, Care's represen*tative in Bardere. "They don't* have the capacity to control the looting and anarchy.

"There are young nomads and cattle herders who have lost everything to looters who have now taken up guns as a way of *making a good living. It's become* increasingly difficult to get food to those in need." US forces will have to confront these security problems which have defeated massive efforts by the international aid community to feed *Somalia for the past nine* months.

People in Bardere have long ago lost their humanity, their dignity and, more importantly, any sense of hope. While many people feel the US effort is "too *much, too late" there is still a* hope that tens of thousands of lives could still be saved. But the children, at best, face a life which will be permanently stunted physically and emotionally.

US initiative welcomed by Somali warlords, Page 4

Bentsen set to head Treasury department

By George Graham in Washington and Louise Kehoe in San Francisco

US President-elect Bill Clinton is expected to announce the first appointments to his administration this week, beginning with an economic team headed by Senator Lloyd Bentsen of Texas.

Mr Bentsen, who as chairman of the Senate finance committee has long been familiar with tax and economic issues, is now thought to be all but certain to be named Treasury secretary.

Clinton aides refused to comment on the nominations, but said he was "on the verge" of making an announcement.

The post of deputy Treasury *secretary is now* widely expected to go to Mr Roger Altman, vice-chairman of the Blackstone investment banking group, with another investment banker, Mr Robert Rubin of Goldman Sachs, likely to be the principal eco*nomic adviser in the White* House as head of a new Economic Security Council.

Congressman Leon Panetta, chairman of the House of Representatives budget committee, is the front-runner to become direc*tor of the Office of Management* and Budget, although Ms Alice Rivlin, a former director of the Congressional Budget Office, is also thought to be in contention.

Mr Clinton has been in no great haste to name his cabinet, *although he has appointed teams* to cover the transition until his inauguration on January 20. Key nominations in the foreign affairs and national security arena may not come for several more days.

The process has been slowed *by the need to conduct thorough* background checks on potential nominees and by Mr Clinton's insistence on tough new ethical standards barring members of his administration from future dealings with their agen*cies*.

Mr John Young, the recently retired president and chief executive of Hewlett-Packard, the computer and electronics manufacturer, has withdrawn his name from consideration for a formal *role in the administration.* He had been widely expected to be appointed to a cabinet position, possibly as commerce secretary.

His substantial stock and stock options holdings were seen as a barrier to his participation in the administration because they might create the appearance of a conflict of interest.

Some members of the Clinton transition team have begun to wonder whether the new ethics rules *may not prove counter*-productive by deterring well-qualified candidates for administration posts, particularly at mid-levels.

● The Democrats will retain a 57 seats majority in the Senate, to *the Republicans' 43, following the* victory of Mr Kent Conrad in Friday's North Dakota by-election. Mr Conrad had earlier decided after a single six-year term as senator not to run again for his old seat, which was won by another Democrat in the general election on November 3. He then changed his mind and ran for the seat left open by the death of Senator Quentin Burdick.

India faces crisis as militants storm mosque

Continued from Page 1

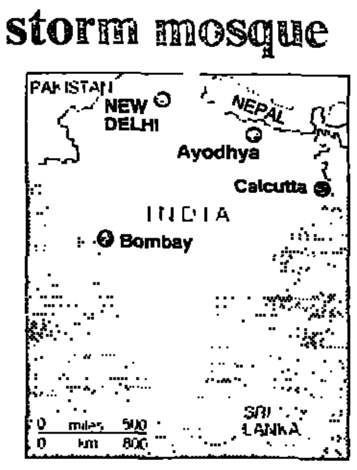
by Mr Rao for its inability to abide by the Supreme court order to protect the disputed structure.

A special hearing of India's highest court was convened to assess the "grave constitutional crisis" caused by a constitutionally elected government not being able to uphold the court's orders.

"This is the first time an assurance by the state government that it will protect the structure and carry out the court orders has been violated," it said.

The BJP and some leaders of its more militant allies, the Vishwa Hindu Parishad and the Rashtriya Swayam Sewak Sangh, termed the Ayodhya incident "unfortunate", but said it was "an indication of the depth of popular feeling about the construction of a Hindu temple" where the mosque stands.

The leaders reiterated their commitment to construct the temple, as thousands of men, women and childred continued to mill around the disputed site till late last night.



Swiss reject closer European ties

Continued from Page 1

the language communities "was a subject of great concern", and he called on all Swiss to unite.

The most important immediate result of the vote may be decisions by companies to move production out of Switzerland into other European countries. During the campaign, the pharmaceutical group Roche said the outcome could influence where it built a SFr130m ($90.90m) vitamin plant.

Sulzer Brothers said it might build a SFr60m factory to make artificial joints elsewhere because it would be difficult to get EC certification for Swiss made products.

Mr Arnold Koller, the Swiss justice minister, said the country would now have to accelerate the adaptation of many of its laws to EC standards, including those aimed at eliminating cartels.

As a member of Efta, Switzerland would continue to have a free trade relationship with the EC in most products. Mr Georg Reisch, secretary general of Efta, said he was "extremely disappointed" by the vote.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	-	-	-	Frankfurt	F	0	29	Majorca	S	17	63	Oporto	R	16	61	Tenerife	C	20	68
				Brussels	R	1	34	Geneva	F	0	11	Malaga	S	19	66	Oslo	F	0	32	Tokyo	T	40	38
				Budapest	Sl	2	35	Gibraltar	F	20	64	Malta	S	17	63	Paris	Sl	0	32	Toronto †	F	0	5
Ajaccio	Dr	03	05	Buenos Aires	F	0	20	Glasgow	R	6	43	Manila	F	23	72	Prague	F	3	37	Tunis	C	17	63
Algiers	F	17	63	Cairo	S	21	70	Helsinki	S	3	37	Melbourne	F	19	66	Reykjavik	F	1	34	Valencia	S	16	61
Amsterdam	S	6	43	Cape Town	F	0	22	Hong Kong	F	0	20	Mexico City	-			Rhodes	F	18	64	Venice	F	10	50
Athens	F	14	57	Caracas	F	18	64	Innsbruck	C	2	36	Miami †	F	17	63	Rio de Janeiro	F	0	0	Vienna	Sl	2	36
Bahrain	F	05	09	Casablanca †	C	18	64	Inverness	F	4	39	Milan	S	14	55	Rome	F	14	57	Warsaw	F	0	07
Bangkok	-	-	-	Chicago †	F	0	10	Islamabad	F	5	41	Montreal †	F	0	8	Salzburg	Sn	1	34	Washington †	F	0	0
Barcelona	S	14	57	Cologne	C	7	45	Istanbul	F	11	52	Moscow	Dr	2	36	S'Francisco	-	-	-	Zurich	F	3	07
Beijing	S	0	32	Copenhagen	H	3	38	Jakarta			-	Munich	Sn	3	37	Seoul	F	10	50				
Beirut	F	30	37	Corfu	F	15	59	Johannesburg	F	29	84	Nairobi	F	14	57	Singapore	F	23	73				
Belfast	R	7	45	Dallas	-	-	-	Lisbon	Fr	10	50	Naples	C	12	54	Stockholm	C	0	32				
Belgrade	F	5	41	Dublin	R	9	48	London	Sn	3	37	Nassau	F	16	62	Strasbourg	F	7	45				
Berlin	F	0	37	Dubrovnik	F	0	0	Los Angeles †	F	0	83	New Delhi	F	0	10	Sydney	T	20	68				
Biarritz	C	13	53	Edinburgh	R	5	41	Luxembourg	C	3	37	New York †	F	0	0	Taipei	F	20	68				
Bombay	S	32	90	Faro	-	-	-	Madeira		-	-	Nice	S	15	59	Tangier	F	18	64				
Bordeaux	F	10	50	Florence	S	11	52	Madrid	F	70	45	Nicosia	F	8	46	Tel Aviv	F	0	88				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Private reservations

Since the government is intent on *mopping up the lion's share of institu*tional cash flow in the gilts market, the onus of supporting equities next year may fall on small investors. Conditions are promising: on a prospective yield over 4.5 per cent, the equity market now gives bank and building society accounts a run for their money. A stampede out of deposit accounts has supported US equities at levels which look optimistic set against sluggish growth in corporate earnings. So far, though, UK small investors appear far from convinced of the allure of equities.

True, unit trusts have seen healthy net sales since sterling came out of the exchange rate mechanism. But the best of the inflows from the public and independent financial advisers are into bond and money market funds. Last month's congestion at the retail end of the gilts market equally suggests bonds rather than equities have been the immediate beneficiaries of lower interest rates. That is hardly surprising. Judging by last week's results from M&G, purveyors of equity funds have had a particularly tough year. It could take a few more months of rising shares and low interest rates before small investors demonstrate any real enthusiasm.

If retail investors keep gilt yields down in the meantime they will indirectly benefit the equity market. But that is no substitute for hard cash. The best time for equity professionals to tap their retail sources is before the government starts funding in earnest from next April. From then on, higher bond yields may look all the more tempting. And the government will be fighting for every penny it can get.

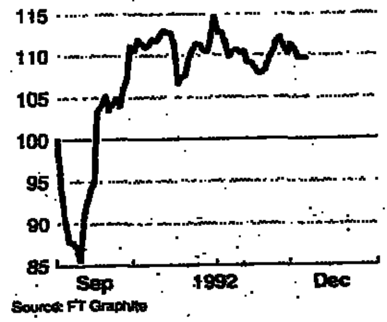
UK insurance

The market should be encouraged to see insurance companies getting to grips with their moth-eaten balance sheets. But it would not do to get carried away. Last week's convertible bond from Royal will add only a modest 2 percentage points to the company's solvency margin assuming full conversion. Recent preference share issues from Commercial Union and General Accident plugged larger holes, but fixed rate prefs are a poor substitute for real equity. The suspicion remains that some of the latter will be required before the upswing in the underwriting cycle is over.

With luck, better conditions in insurance markets will coincide with a rising equity market. Capital gains on

Enterprise Oil

Share price relative to the FT-A All-Share Index



Source: FT Graphite

investments would compensate for the tendency of solvency margins to fall as premium income grows. Having sold equities this year, though, insurers' balance sheets are generally less geared to a rising market than in the 1980s. Since the economic outlook is so uncertain, it would take a brave insurer to predicate expansion plans on a bull market for equities. With their own shares trading at a premium to net assets – and having outperformed the market by a streak this year – the more expansionist insurance companies may eventually be tempted to try a rights issue.

The message from the recent rash of convertibles and prefs, though, is that the industry still lacks the confidence to take the plunge. Judging by the sharp downward correction in the sector last week it is right to take a cautious line. But if the US insurance market turns next year there will be strong arguments for a bold approach.

Enterprise Oil

One of the almost unalloyed winners from sterling's devaluation on Black Wednesday was the UK independent oil sector. With so many sterling costs and oil priced in dollars, the benefits drop straight to the bottom line. That has been reflected in the performance of the shares; the sector has risen by some 15 per cent. But Enterprise Oil is up by over 50 per cent despite the weakening dollar oil price. Such rises are apt to make shareholders light-headed. When measured against its net assets, Enterprise Oil begins to look expensive.

Besides, there are a few disadvantages to lower sterling. Many independents like Enterprise are now exploring outside the UK and are having to pay in dollars for exploration equipment. Some, perhaps most notably Lasmo, also have a high proportion of their debt in dollars, so that interest charges and redemption costs will rise. And most of the independents' assets are in the North Sea, so the companies such as Enterprise incur a high marginal UK tax charge on the additional revenues.

These problems may only be a temporary drag on Enterprise Oil's progress. As the company's reserves come on stream, output will double in the next two years. The company already has a strong balance sheet, and cash will start to flow into Enterprise as output rises. Its management has proved capable and has found oil at enviably low cost. The black spot is a decline in new fields coming on stream after 1996. It will be interesting to see if the chief executive, Mr Graham Hearne, can find the oil to maintain his winning streak.

UK stores

Shoppers may not yet be dashing into the stores, but investors have certainly been rushing into some of their shares. Although the sector as a whole has moved comparatively little since Black Wednesday, there has been a striking divergence within the group. The defensive quality core of Marks and Spencer, Boots and GUS – which accounts for more than half the sector's weighting – has just outpaced the market. But the really eye-catching performances have come from some of the smaller, more volatile fry. Excluding the big three, the rest of the stores sector has outperformed the market by almost 40 per cent.

It is difficult to believe that this giddy ascent has not been overdone. Although it is still early Christmas days, there appears to be little anecdotal evidence of any great surge in consumer sales other than those induced by Nintendo fiends. Robert Fleming points out that the stores sector has underperformed the market in December and January in 17 of the last 22 years - although it adds the important proviso that the five exceptions have been at times of falling interest rates.

Yet even if consumers do indulge in an unusual burst of enthusiasm over Christmas, it may benefit other sectors more than stores. The firmer the evidence of recovery becomes the more likely investors are to chase highly-geared capital goods stocks where volumes and profits should rebound more sharply than in shops.

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COMPANIES & MARKETS
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Forte to sell its catering unit and expand in Europe

By Michael Skapinker, Leisure Industries Correspondent

FORTE is this week expected to move closer to its aim of becoming a more internationally-based hotel and restaurant group with the sale of its Gardner Merchant catering division, the acquisition of a chain of French motorway restaurants and the conclusion of an agreement to run 18 hotels in Italy.

The sale of Gardner Merchant to a consortium led by CinVen, the UK's second largest venture capital investor, for £400m ($623m) could be announced today or tomorrow. The Gardner Merchant management will have a small stake in the business.

An attempt by the Gardner Merchant management to acquire the business, backed by Kohlberg Kravis Roberts (KKR), the New York-based leveraged buy-out specialists, failed earlier this year, as did a takeover proposal by the Compass catering group.

CinVen approached Forte shortly after the breakdown of negotiations with Compass last July. CinVen, which has stakes in several Forte hotels, will not be buying the group's airline catering interests.

Forte is also expected to announce that it is to pay £65m to £70m for more than 40 motorway restaurants in France. The restaurants were acquired by Accor, the French hotels to luncheon vouchers group, when it bought Wagons-Lits, the Belgian travel company, last year.

The European Commission instructed Accor to sell the restaurants last April because they would have given the group too dominant a position.

The Wagons-Lits restaurants operate under the names of Relais, le Petit Café and Truckstore Café.

Forte is also likely to announce in the next few days that it has concluded an agreement to manage 18 hotels in Italy as part of a joint venture with Agip, the state-owned petrol company. The hotels are mostly at motorway junctions.

Forte will start building early nexy year the first in a network of 100 hotels and motorway restaurants in Spain in a deal with Repsol, the Spanish state-owned energy group.

UB protests to SME over crisp sell-off

By Haig Simonian in Milan

ITALY'S fledgling privatisation programme has been hit by an unexpected spat over a state-owned potato crisp maker.

United Biscuits, the UK-based multinational, has written to SME, the government-owned foods group controlled by the IRI state holding company, expressing disappointment over the sale of Pai, a potato crisp and savoury snacks maker, to an Italian rival. Pai was sold for L30.2bn ($21.6m) late last month to Unichips, the Italian family-owned concern.

According to Mr John Warren, UB's group finance director, the transaction has been "lacking transparency". UB says Wasserstein Perrella, the US investment bank handling the deal, gave bidders "just a weekend" to come up with indicative offers. No detailed information about the company or its performance was provided.

"We were contacted by Wasserstein Perrella about a month ago," says Mr Warren. UB expressed immediate interest, "But we were told our offer was just not good enough," he says.

On Friday night, SME said negotiations on the sale "took place according to a procedure guaranteeing all potential buyers the same level of information, and, therefore, the possibility to make offers on a totally equal basis".

Mr Warren cannot confirm Italian reports that UB's bid beat the winning offer. The company responded by writing "a polite letter" in late November to SME and IRI expressing its disappointment. So far, it has not received a reply.

SME, which is active in food production, retailing and catering, is one of Italy's prime privatisation candidates. Multinationals such as Nestlé and Ferruzzi have already shown interest in buying some of its activities.

The dispute over the sale of Pai could prove embarrassing to the new Italian government's privatisation plans. Mr Giuliano Amato, prime minister, has pinned his hopes on disposals as a source of income.

Alan Friedman on American Express's chief executive

A corporate titan forged from plastic

At the end of the day, the impending resignation of Mr Jim Robinson as chief executive of American Express may come to be seen as yet another symbol of the almost fin de siècle atmosphere of post-1980s Wall Street.

Few US corporate titans – and even fewer US companies – so symbolised the heady times of the last decade as did Mr Robinson and American Express. A mythology grew up around the socially ambitious Mr Robinson and his wife, a prominent public relations partner of one of President George Bush's former re-election campaign advisers.

Both Mr Robinson and the company prospered mightily during most of the 1980s, as consumer spending rose steadily and the American Express card earned hefty fees as a prestige product.

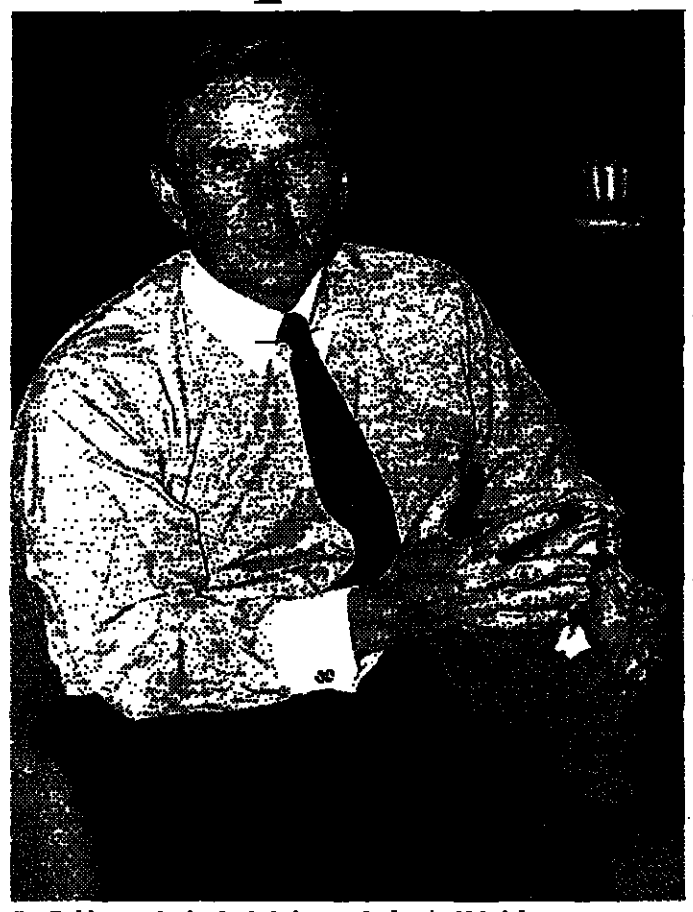
Mr Robinson in turn portrayed himself as a grand strategist who added to the group's traditional card and travellers cheque products an array of sister businesses that included stockbroking and investment banking (Shearson Lehman Hutton), private and commercial banking (Mr Edmond Safra's Trade Development Bank) and, for a time, even the cable television business (Warner Amex Cable).

Yet for all his deal-making, including a failed attempt to acquire Walt Disney, American Express's diversification brought more problems than benefits and the group's fortunes remain more than ever tied to its core businesses.

The cable television venture was disposed of in 1985, just before it became profitable. Shearson Lehman suffered huge losses a couple of years ago and Mr Robinson forced out Mr Peter Cohen, the firm's chairman. And Mr Safra and American Express went through a costly divorce, culminating in an humbling 1989 apology by Mr Robinson when it emerged that American Express employees had engaged in a smear campaign against Mr Safra.

More recently American Express has suffered conflicts with rebellious retailers and heavy losses in its Optima credit card business. Earlier this year Mr Robinson acknowledged the need to bolster capital and slash staff. Some 6,500 employees have been made redundant in the 1991-92 period, with related restructuring charges totalling $607m. The last third quarter results from the company showed a $205m loss.

Perhaps the biggest problem Mr Robinson faced was that the American Express card used to be a high-priced product aimed at an affluent market. Now the card has lost much of its lustre and is facing stiff competition from banks and non-banks.



Jim Robinson: denies he is being pushed out of his job

Mr John Keefe, an analyst and veteran Robinson-watcher, yesterday summed up the problem: "American Express succeeded and grew as a premium priced product, but by the end of the 1980s premium pricing was no longer what the market wanted. The market wanted value, not prestige. Yet American Express clung to their premium pricing and customers no longer wanted it."

A handful of books highly critical of Mr Robinson's management appeared earlier this year and the man once known as the "Teflon" chairman found himself under fire on Wall Street. One American Express executive said recently that the company lost touch with the market. "We became arrogant, insensitive and profoundly stuck in our ways, with a huge, inflexible bureaucracy that was very hard to move."

Yesterday, in an interview with the FT, Mr Robinson conceded that this description of American Express was accurate. "I think it's an appropriate characterisation," he said.

He stressed that he had said as much in an unusually contrite letter to shareholders last March. In that letter he wrote: "For years we were able to remain above the fray of credit card competition. But bank card issuers have turned their sights on our primary markets – the affluent households and travel and entertainment spenders."

Yesterday Mr Robinson denied strongly that he was being pushed out of his job and insisted he had never wished to serve more than 15 years as chief executive. He said he was keen to continue working on the group's recovery plans. When asked to say how he wished his 15-year tenure to be remembered he said simply: "Total quality management."

Unfortunately for Mr Robinson, that is not how most on Wall Street perceive his record. Although he is credited by some as a man of vision, most analysts feel that in retrospect Mr Robinson presided over an ad hoc series of opportunistic acquisitions that ultimately produced an unwieldy conglomerate. Its costs and capacity proved excessive once the boom years of the 1980s were replaced by the austerity of the 1990s.

As for management, Mr Robinson broke with several top executives, including Mr Sandy Weill, who left as president in 1985 to take over as chairman of Primerica, the financial services group, and Mr Lou Gerstner, the talented president who left in 1989 to chair RJR Nabisco. It was only in July 1991, after criticism from Wall Street that the president's post had been vacant for two years, that Mr Robinson named Mr Harvey Golub, his heir apparent, to the job.

The truth is that Mr Robinson has become increasingly embattled at American Express in recent months. There is only one other top US financial executive whose tenure has been the subject of as much speculation – Mr John Reed, the chairman of Citicorp who appears now to be fixing that bank's problems by bolstering capital and cutting overheads.

American Express has clearly been trying to change its culture, but few expect a speedy improvement in profitability. For the first nine months of 1992 net income was $380m, down from $551m in the same period of last year. Optima is not expected to return to the black before next year and competition in the card market has become tougher than ever.

"This is really another bill to be paid for the 1980s," said Mr Keefe, commenting on Mr Robinson's plans to resign next year as chief executive.

In a letter to American Express employees, Mr Robinson said yesterday he planned to spend more of his remaining time working on "the next phase" at Shearson Lehman with Mr Howard Clark, the former American Express chief financial officer who was sent to Shearson as chairman in 1990.

Many think that American Express may eventually seek to divest itself of Shearson Lehman, although Mr Robinson said in his letter that the goal was to bring the subsidiary to the point where it could improve its credit rating with a strong capital base.

His letter to staff had the tone of a man looking backward, as he thanked the workforce "for the tremendous effort so many of you have made during the past year". Part of his personal objective, Mr Robinson wrote yesterday, "is to ensure a smooth passing of the leadership baton as we move ahead".

Spotlight on Italy's privileged tax refugees

Economics Notebook

By Robert Graham in Rome

Holders of Italian short-term treasury paper are disarmingly nicknamed the "Bot-people".

These are the individuals and institutions who have traditionally taken refuge from Italy's hostile world of inflation, threats from the taxman and volatile stock market by relying on the security of treasury bills (BOTs).

The Bot-people have been assiduously courted by successive post-war governments and have been given enormous privileges.

Bearers of Bots are anonymous and pay income tax on interest at a minimal 12.5 per cent. Interest rates offered are extremely attractive, currently some 7 per cent in real terms.

In a country with a large parallel economy and punitive tax rates on declared income, state guaranteed paper has been – and still is – an unbeatable investment for those with only lira expenses.

Indeed Italy is the last country in the EC where the state courts the investor in such a generous manner.

This, though, is not surprising. Italy has long run a budget deficit, which has steadily been increasing as the debt stock has grown.

Total accumulated debt has risen from 58 per cent of GDP in 1980 (the maximum set by the now much criticised 1991 Maastricht Treaty) to the current 104 per cent.

The 1993 budget deficit consists entirely of debt service payments.

State paper has to be attractive to finance the deficit and because of the exchange risk to outsiders it is chiefly attractive to Italians.

As a result though Italy accounts for almost a third of all EC debt, only 6.5 per cent of this is held by foreigners. The rest is in the hands of Italians and Italian institutions.

The enormous needs of the treasury, coupled with the advantages of state paper, have led Italy consistently to possess one of the highest savings ratios in Europe.

Financing the debt has also created a peculiarly distorted savings profile.

According to Bank of Italy figures, the average family savings portfolio is 12.7 per cent in short-term state paper (basically Bots) and 18.8 per cent in medium and long-term state paper. This compares with a combined total under the two headings of 2.7 per cent in France, 17 per cent in Germany and 1.7 per cent in the UK.

This distortion in the direction of savings has mattered little until now. But with the Amato committed to a major programme of privatisation over the next three to four years, the distortion has been brought into focus.

The government is planning to raise almost L40,000bn ($28.6bn) during this period through divestiture and partial sell-off of banks and industrial companies.

Foreign capital of necessity is expected to play a considerable part, but most will have to come from domestic sources at a time of recession and projected sluggish growth.

In tandem with financing (and hopefully reducing) the debt, the government has to encourage investors, especially the Bot-people, to switch their attention to the bourse.

For the world's fifth industrial power, the bourse is a Cinderella compared with Italy's main partners. The turnover volume in relation to GDP is less than half that of France and a quarter that of the UK, according to the latest government assessments in privatisation documents.

Last year average daily turnover was L124bn and in the period January-September of this year it fell to an average of L106bn.

Since 1985 only on nine occasions has daily turnover risen above L500bn, and of these eight occurred in the boom year of 1986 with one record of L800bn.

That record year saw new issues and company capital increases of L14,500bn. But this year so far the figure new issues and capital increases is a little above L2,300bn, and almost entirely has been accounted for by two issues - one from the STET, the state-controlled telephone holding, and San Paolo di Torino, the bank.

Treasury experts estimate without changes in the bourse's operations and fresh investment incentives its capacity to raise funds has a ceiling of around 5 per cent of total capitalisation, or less than L10,000bn a year.

Yet if the privatisation programme proceeds, the total value of new issues and capital increases next year alone will be close to L20,000bn – double the present capacity.

In part the bourse bears blame for failing to modernise and for its lack of transparency that has created a strong odour of insider dealing.

However, the government has never provided incentives to encourage share ownership largely through fear of damaging the demand for state paper. To make risk investment in the stock market more attractive, the government is studying a number of measures.

First of these is to provide a package of fiscal incentives for share ownership.

Second is the development of pension funds (less than 9 per cent of pensions are paid into pension funds).

A third idea is to permit the exchange of state paper for shares in newly privatised companies.

A more controversial move, which the government has constantly denied contemplating, is that of raising the tax paid on Bots which account for nearly a third of state paper.

At a time when the government is seeking to raise fiscal revenues and create a more rational tax structure, the continued privileges of the Bot-people are an increasing anomaly.

Nevertheless, the howls of protest which have greeted suggestions in recent months that the government might tax Bots higher – or freeze interest payments – underline how sensitive the issue is.

Such a move might only be palatable if compensatory tax breaks were offered on share ownership. But this would mean Italians accepting the concept of greater risk with their savings, and it still leaves the treasury with the need to fund a huge deficit.

The resolution of this dilemma holds the key to Italy developing a fully fledged capital market.

Barclays to offer new form of financing

By Tracy Corrigan in London

BARCLAYS Bank will this week become the first European bank to provide companies with a new form of short-term financing which will allow them to build up their order books without borrowing directly from banks.

Barclays's special-purpose company will buy from companies the right to money owed on export sales (known as trade receivables) and sell short-dated debt (commercial paper) backed by the receivables in the international market. The structure provides an alternative to overdrafts, bank facilities or credit lines.

The Barclays vehicle is poised to issue $80m-$90m worth of US commercial paper, backed by $100m of trade receivables. But subsequent offerings under the $1bn multi-currency programme will be made in the Euro-commercial paper market, where regulations allow.

In the US, the asset-backed commercial paper market, mostly involving trade receivables, has grown swiftly to around $50bn. This type of repackaging of assets has already been widely applied to mortgages, car and personal loans, which are sold to investors as asset-backed bonds.

Several US banks, including Citibank, have also become active in Europe, mainly securitising US companies' European receivables. The business is dominated by clearing banks, which already lend to the companies involved, and so are well positioned to offer alternative financing.

Auditors' reports of 'little value' says a recent study

Doubts on going concern message

By Andrew Jack

AUDITORS' reports in annual accounts are of little value in showing whether a company's survival is threatened, an academic study has found.

There is little correlation between the incidence of the "going concern" doubts and Auditors' reports of 'little value' says a recentstudy corporate collapse, according to a paper by Mr David Citron and Professor Richard Taffler of the City University Business School in London.

Under existing guidelines, auditors are supposed to qualify the accounts of any companies over which they believe there are materials factors which could threaten its survival.

But Mr Citron said yesterday: "The going concern qualification is not giving a very substantial message."

The study, based on an analysis of the accounts of the 107 UK quoted industrial and distribution companies which failed during 1977-86, showed that only 26 per cent had a going concern qualification.

These were the companies which were very clearly financially weak and about to fail. Auditors often claim they are restrained from giving a qualification for fear that the company might collapse as a result.

But the study shows that 71 per cent of companies given the going concernqualification survived, and the failure rate was no higher among these companies than those in which theaccounts were not qualified.

The report does suggest that auditors may not qualify the accounts for fear of losing their contract with the client. Companies which were given a going concern qualification and survived were more likely to switch their audit firm.

Overall, small audit firms behaved no differently than the largest nine firms.

The findings are particularly relevant because the Auditing Practices Board earlier this year launched a discussion document calling for substantial changes in the "going concern" qualification.

Under the proposals, auditors would be required to assess more actively the directors' view of the company as a going concern over the coming 12 months. They should use their judgment to identify "material matters" such as inadequate borrowing facilities, litigation or significant debts falling due which might jeopardise its position.

The value of the audit report in the presence of going concern uncertainties: an empirical analysis. City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB.

Alan Sugar remains pessimistic over deal

By Richard Gourlay

MR ALAN Sugar yesterday remained pessimistic about gaining the support of shareholders who appear strongly opposed to his proposal to take Amstrad private.

With the approach of tomorrow's deadline for proxy votes, ahead of the extraordinary meeting on Thursday, Mr Sugar repeated the suggestion that shareholders should act.

Some of the 20,000 shareholders who had not voted but who expected a cheque in the post for their shares "might be in for a surprise," he said.

"The interesting thing is what happens to the share price tomorrow," Mr Sugar said last night.

Results of proxies received by Thursday evening suggesting Mr Sugar was losing his battle to take Amstrad private came on Friday after the market closed.

Amstrad shares closed unchanged on Friday at 28p, 2p below the price Mr Sugar is offering to buy the 65 per cent of Amstrad shares he does not already own.

Amstrad on Saturday ended its telephone campaign to persuade shareholders to send in proxy cards.

The campaign which was financed by Amstrad and policed by Amstrad's advisers, Kleinwort Benson, involved individual calls to thousands of Amstrad shareholders.

NEWS DIGEST

Losses continue at Tex

DESPITE cost reduction measures, Tex Holdings, the maker and supplier of consumables to the plastic, steel and energy industries, announced pre-tax losses of £146,000 for the half year to September 30.

There were profits of £57,000 last time although for the year to March losses of £396,000 were reported.

Turnover declined from £8.2m to £7.9m.

Mr Richard Burrows, the chairman, said that sales and margins remained under pressure.

The directors have continued to reduce the group's cost base, he said, while at the same time taking initiatives to boost sales by increasing market share.

Losses per share emerged at 1.6p (0.4p earnings).

Tops Estates slips to £0.92m

Pre-tax profits of Tops Estates, the property investment group, declined by 32 per cent, from £1.34m to £918,000, in the six months to end-September.

The outcome was struck on rental income after outgoings down from £5.07m to £4.98m. Earnings came out at 1.33p (1.92p) and the interim dividend is increased by 5 per cent to 0.5775p (0.55p).

Crossroads Oil £107,000 in loss

For the six months ending September 30 the USM-quoted Crossroads Oil Group incurred an unchanged operating loss of £80,112.

The after-tax loss emerged at £106,903. That compared with profits of £267,368 which included exceptional revenue of £377,142. Losses per share worked through at 0.25p (earnings 0.75p).

Burtonwood in £5m expansion

Burtonwood Brewery has agreed to buy 34 public houses from Tetley Walker for a cash consideration of £5m.

Cheshire-based Burtonwood was confident that the contribution from about 9,000 extra barrels would improve the utilisation of brewery capacity and thus increase its profitability.

Hambros Investment net asset value lower

Hambros Investment Trust, a subsidiary of Hambros, had a net asset value of 46.44p at September 30 against 46.54p a year earlier and 46.78p at the March 31 year end.

There was a net loss of £175,000 for the half year compared with profits of £71,000, which translated into losses per share of 0.34p (earnings 0.08p).

The deficit resulted from the sale of and revaluation of investments.

Gartmore Value revenue rises

Net asset value per share fell over the six months to October 31 from 27.4p to 16.8p at Gartmore Value Investments. However, the figure per zero dividend preference share improved from 72.1p to 76.7p.

Net revenue for the half year to the end of October was £779,000 (£754,000) giving earnings per share of 1.57p (1.52p). As already announced, an increased second interim of 0.9525p (0.925p) is being paid.

Wiltshire Brewery reduces losses

Wiltshire Brewery's capital restructuring has been approved at an extraordinary meeting, placing UB Group, India's largest brewer, in management control.

Mr Vijay Mallya, chairman of UB, becomes chairman of Wiltshire and Mr O'Neal Nalavadi, chief operating executive. His group and his family will take about 16 per cent of the enlarged group.

Wiltshire reported a reduced pre-tax loss for the six months to May 31 down from £324,851 to £283,607 on sales doubled to £1.33m.

Wiltshire's tenanted estate grew from 26 to 40 during the period and has expanded further to 78 as a result of the restructuring.

Tomorrows Leisure £110,000 in loss

Tomorrows Leisure, the USM-quoted hotels and leisure group, ran up a loss of £110,000 pre-tax for the half year ended September 30.

That compared with previous profits of £422,000 and was scored after taking account of a swing from interest receivable of £142,000 to charges of £395,000.

Turnover improved by 22 per cent to £4.48m. Losses per share of 0.9p compared with earnings of 2.7p.

The interim dividend is again being passed.

LBC owner hits new hitch over French sale

By David Buchan in Paris

CROWN Communications, the financially-troubled owner of LBC, the London-based radio station, has hit another hitch in its bid to sell some of its stake in RFM, its French commercial station.

The CSA, the French broadcasting authority, said it had still not received sufficient clarity on the bid by Mr Alain Ayache, owner of Le Meilleur magazine, and of Mr Jean-Paul Baudecroux of the NRJ group for Crown's controlling stake.

It said it wanted further information on the proposed capital and nature of the bid before making a ruling.

NRJ, after having an earlier bid turned down by the broadcasting authority, has since been joined in its endeavour by Mr Ayache.

But this has apparently not relieved the CSA's concern about undue concentration.

Crown has been seeking to raise money from the sale of its RFM stake, but recently entered negotiations with Dame Shirley Porter, the controversial Conservative politician, who is said to be interested in taking a stake in LBC.

Sun Alliance clears way to open Beijing office

By Richard Lapper

SUN ALLIANCE has obtained approval from the Chinese authorities to establish a representative office in Beijing.

This paves the way for it to eventually conduct direct business in one of the world's potentially biggest insurance markets.

The move follows the agreement earlier this year of a co-operation agreement with the People's Insurance Company of China and was in line with Sun Alliance's strategy of building a presence in the Far East.

The company has recently established links with Lucky Insurance Company in Korea and with Taisho in Japan. In September it consolidated its position in Australia by merging its local operations with those of Royal Insurance and taking a 60 per cent stake in the new company.

The office would be used to conduct research into the Chinese market, but would help Sun Alliance underwrite reinsurance for PICC.

Estates & General completes bank talks

Estates & General, property investor and developer, has completed formalities surrounding discussions with its bankers regarding continuing support to the company and enhancement in its working capital facilities.

As part of the arrangements the directors and related parties were making an unsecured loan to the company of £250,000. Also, £389,000 of additional loan notes due as deferred and final consideration for the acquisition of Norman Reeves had have fallen due and were are being issued to NR shareholders.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Camuzzi Gasometri (Italy)	Distribuidora de Gas Pampeana (Argentina)	Gas distribution	£152m	Consortium declared...
Camuzzi Gasometri (Italy)	Distribuidora de Gas del Sur (Argentina)	Gas distribution	£95m	...top bidders
Sideco Americana (Arg)/ Italgas (Italy)	Distribuidora de Gas del Centro (Arg)	Gas distribution	£89m	Consortium declared...
Sideco Americana (Arg)/ Italgas (Italy)	Distribuidora de Gas Cuyana (Arg)	Gas distribution	£79m	...top bidders
Tractebel (Belgium)/ Iberdrola (Spain)/	Distribuidora de Gas del Litoral (Arg)	Gas distribution	£67m	Bid won with local partners
Beiersdorf (Germany)	Nivea (UK)	Toiletries	£46.5m	Smith & Nephew disposal
Columbian Chemicals (US) /TVK (Hungary)	Columbia Tiszai Carbon (JV)	Carbon black	£35m	Manufacturing venture
WestLB/SüdWestLB (Germany)	Chartered WestLB (UK/ Germany)	Banking	£26.3m	StanChart sells its half
UAP (France)	Nordstern Allgemeine (German)	Insurance	n/a	Winterthur sells its stake
GECapital (US)/UMW	Joint venture	Financial services	n/a	GE taking 49% stake

FT-SE SmallCap index: constituents from December 31 1992

Company	Sector	Mkt Cap £m
Wagon Industrial Holdings	Engineering-General	191.38
Taunton Cider	Brewers & Distillers	189.06
Anglian Group	Building Materials	174.74
British Bio-Technology Group	Health & Household	155.72
Davis Service Group	Business Services	150.57
Betterware	Stores	145.51
Waddington (John)	Packaging,Paper&Prntg	144.87
Cray Electronic Holdings	Electronics	144.72
American Trust	Investment Trusts	143.77
Temple Bar Investment Trust	Investment Trusts	143.17
Mersey Docks & Harbour	Transport	141.72
Scholl	Health & Household	139.14
TT Group	Engineering-General	138.98
Bodycote International	Conglomerates	138.91
Renishaw	Other Materials	137.48
Travis Perkins	Building Materials	137.47
Readicut International	Textiles	136.85
BS Group	Engineering-General	136.34
FR Group	Engineering-Aerospace	134.97
Plysu	Chemicals	133.86
Daejan Holdings	Property	133.30
Norcros	Other Materials	133.14
Lloyd Thompson Group	Insurance Brokers	130.80
Fleming Continental Euro Inv. Trust	Investment Trusts	130.56
Throgmorton Trust	Investment Trusts	129.78
Henderson Administration Group	Other Financial	128.80
Murray Smaller Markets Trust	Investment Trusts	128.51
B.S.G. International	Motors	127.49
Devenish (J.A.)	Brewers & Distillers	126.39
Barratt Developments	Contracting, Const.	126.30
Victaulic	Engineering-General	125.84
Fleming American Investment Trust	Investment Trusts	124.50
City Centre Restaurants	Hotels & Leisure	124.30
Hunting	Engineering-Aerospace	123.49
Bespak	Health & Household	123.24
London Forfaiting Co.	Other Financial	123.00
Hogg Robinson	Business Services	121.42
Kleinwort Overseas Investment Trust	Investment Trusts	121.15
Yorkshire Chemicals	Chemicals	120.90
Baring Tribune Investment Trust	Investment Trusts	120.44
Heywood Williams Group	Building Materials	119.39
Evered Bardon	Building Materials	119.33
Low (William) & Co.	Food Retailing	119.28
Automated Security (Holdings)	Business Services	119.16
Kleinwort Charter Investment Trust	Investment Trusts	119.09
Vosper Thornycroft Holdings	Engineering-General	118.30
English & Scottish Investors	Investment Trusts	117.88
T & S Stores	Stores	116.95
Johnson Group Cleaners	Business Services	116.57
Kalon Group	Building Materials	116.33
Templeton Emerging Markets Inv. Trust	Investment Trusts	114.20
Allied Textile Companies	Textiles	113.43
Pentos	Stores	111.54
Law Debenture Corp'n	Investment Trusts	110.91
Mucklow (A. & J.) Group	Property	109.35
Gerrard & National Holdings	Other Financial	108.91
Electric & General Investment Co.	Investment Trusts	108.08
Macro Electricals	Electronics	107.50
Clyde Petroleum	Oil & Gas	106.97
Bagden Industries	Packaging,Paper&Prntg	106.95
Property Security Investment Trust	Property	105.53
Johnston Press	Media	105.26
Thorntons	Food Retailing	105.06
Howden Group	Engineering-General	104.56
Logica	Electronics	104.38
Misys	Electronics	103.49
Domino Printing Sciences	Electronics	103.28
Unitech	Electronics	102.52
Rotork	Engineering-General	102.48
Mansfield Brewery	Brewers & Distillers	102.15
Westland Group	Engineering-Aerospace	101.95
Wardle Storeys	Chemicals	100.37
BM Group	Engineering-General	100.10
Molins	Engineering-General	100.08
Blick	Electronics	99.48
Graseby	Electronics	98.70
Brunner Investment Trust	Investment Trusts	98.56
Capital Radio	Media	98.34
British Polythene Industries	Packaging,Paper&Prntg	97.85
Owners Abroad Group	Hotels & Leisure	97.84
Claremont Garments (Holdings)	Textiles	96.61
Bellway	Contracting, Const.	95.96
Microfilm Reprographics	Packaging,Paper&Prntg	95.73
Steel Burrill Jones Group	Insurance Brokers	94.86
Jeyes Group	Health & Household	94.54
Concentric	Engineering-General	94.20
Brent Chemicals International	Chemicals	93.79
Frogmore Estates	Property	93.65
Suter	Other Materials	93.07
Peel Holdings	Property	92.77
Macfarlane Group (Clansman)	Packaging,Paper&Prntg	92.73
Foreign & Colonial Eurotrust	Investment Trusts	92.45
Silentnight Holdings	Miscellaneous	92.10
Proteus International	Health & Household	91.76
Vinten Group	Other Materials	91.72
Whatman	Health & Household	91.58
Lamont Holdings	Textiles	91.20
Hardy Oil & Gas	Oil & Gas	90.55
Sidlaw Group	Oil & Gas	89.85
Avon Rubber	Motors	88.75
Oxford Instruments	Electricals	87.97
BSS Group	Engineering-General	87.94
Close Brothers Group	Merchant Banks	87.70
Brammer	Engineering-General	87.55
Frost Group	Miscellaneous	87.00
Warner Howard Group	Business Services	83.86
Park Food Group	Food Retailing	83.84
Drayton Far Eastern Trust	Investment Trusts	83.22
G.T. Japan Investment Trust	Investment Trusts	82.86
OS Holdings	Stores	82.53
Southern Business Group	Miscellaneous	82.10
Hogg Group	Insurance Brokers	81.65
Barry Wehmiller International	Engineering-General	81.45
Watson & Philip	Food Retailing	80.74
Overseas Investment Trust	Investment Trusts	80.70
Premier Consolidated Oilfields	Oil & Gas	80.48
Kenwood Appliances	Electricals	80.33
Danka Business Systems	Miscellaneous	79.85
Evans of Leeds	Property	79.62
Metalrax Group	Engineering-General	79.42
Grampian Holdings	Conglomerates	79.24
Sage Group	Electronics	79.13
Morland & Co.	Brewers & Distillers	78.65
Majedie Investments	Investment Trusts	78.27
Foreign & Colonial Smaller Companies	Investment Trusts	78.03
Ferguson International Holdings	Packaging,Paper&Prntg	77.95
WPP Group	Media	77.68
Warner Estate Holdings	Property	77.27
Cattle's (Holdings)	Other Financial	77.15
Eurocamp	Hotels & Leisure	76.74
Time Products	Miscellaneous	76.15
Burn Stewart Distillers	Brewers & Distillers	75.91
Cater Allen Holdings	Other Financial	75.63
Laing (John)	Contracting, Const.	75.41
Courts (Furnishers)	Stores	75.24
Triplex Lloyd	Metals & Metal Frmng	74.43
Drayton Asia Trust	Investment Trusts	74.49
Holt (Joseph)	Brewers & Distillers	73.99
Anglia Television Group	Media	73.91
Stakis	Hotels & Leisure	73.52
Fuller Smith & Turner	Brewers & Distillers	73.35
Singer & Friedlander Group	Merchant Banks	73.11
Adwest Group	Engineering-General	72.83
Control Techniques	Electronics	72.39
Marshalls	Building Materials	72.04
Laing (John)	Contracting, Const.	71.38
Trade Indemnity Group	Insurance Composite	71.25
Transfer Technology Group	Engineering-General	70.66
Yorkshire-Tyne Tees Television Hldgs.	Media	70.38
Cornwell Parker A N/V	Miscellaneous	70.08
Town Centre Securities	Property	69.86
Dowding & Mills	Electricals	69.46

Company	Sector	Mkt Cap £m
Johnson & Firth Brown	Metals & Metal Frmng	69.45
BPP Holdings	Business Services	69.34
Fleming Claverhouse Investment Trust	Investment Trusts	69.00
Manders (Holdings)	Building Materials	68.99
Halstead (James) Group	Chemicals	68.50
Nichols (J.N.) (Vimto)	Food Manufacturing	68.42
Dobson Park Industries	Engineering-General	68.10
St. Andrew Trust	Investment Trusts	68.06
British Empire Secs. & General Trust	Investment Trusts	67.83
Serco Group	Business Services	67.71
Watts Blake Bearne & Co.	Other Materials	67.62
British-Borneo Petrol Syndicate	Oil & Gas	67.50
Bensford International	Food Manufacturing	66.98
South Staffordshire Water Holdings	Water	66.53
Aberforth Smaller Companies Trust	Investment Trusts	65.83
Budgens	Food Retailing	65.00
Community Hospitals Group	Health & Household	64.57
Pendragon	Motors	64.50
Mowlem (John) & Co.	Contracting, Const.	64.20
Finlay (James)	Food Manufacturing	63.95
Huntleigh Technology	Health & Household	63.73
Bradstock Group	Insurance Brokers	63.26
Portsmouth & Sunderland Newspapers	Media	63.23
Pittencrieff	Oil & Gas	63.10
Domestic & General Group	Insurance Composite	63.05
Seton Healthcare Group	Health & Household	62.66
FII Group	Miscellaneous	62.93
Menvier-Swain Group	Electricals	61.92
Ferranti International	Electronics	60.82
Fleming Emerging Markets Inv. Trust	Investment Trusts	60.60
Lowndes Lambert Group Holdings	Insurance Brokers	60.49
Microgen Holdings	Packaging,Paper&Prntg	60.46
Alumasc Group	Miscellaneous	60.29
Black (Peter) Holdings	Miscellaneous	59.38
Gleeson (M.J.) Group	Contract'g, Const.	59.30
Whessoe	Engineering-General	59.28
Goal Petroleum	Oil & Gas	59.01
Wace Group	Packaging,Paper&Prntg	58.74
Costain Group	Contracting, Const.	58.69
Druck Holdings	Electronics	58.24
Secure Trust Group	Other Financial	58.21
Thornton Asian Emerging Mkts Inv Tst	Investment Trusts	58.00
* TR Pacific Investment Trust	Investment Trusts	57.62
Alexon Group	Stores	57.62
T.I.P. Europe	Transport	57.44
Beattie (James) A N/V	Stores	57.39
Perkins Foods	Food Manufacturing	56.88
Macdonald Martin Distilleries A N/V	Brewers & Distillers	56.84
ASW Holdings	Metals & Metal Frmng	56.83
Wembley	Hotels & Leisure	56.65
* Barr (A.G.)	Food Manufacturing	55.88
Bromsgrove Industries	Engineering-General	55.78
* USDC Investment Trust	Investment Trusts	55.70
UDO Holdings	Miscellaneous	55.49
* Leeds Group	Textiles	55.44
Carclo Engineering Group	Engineering-General	55.18
Abbott Mead Vickers	Media	55.14
Volex Group	Electricals	55.01
Candover Investments	Investment Trusts	54.51
Stanley Leisure Organisation	Hotels & Leisure	54.29
BZW Convertible Investment Trust	Investment Trusts	54.04
Keystone Investment Co.	Investment Trusts	53.68
Capita Group	Business Services	53.63
Baynes (Charles)	Other Materials	53.49
Benford Holdings	Property	53.40
Sketchley	Business Services	53.32
Proudfoot (Alexander)	Business Services	53.23
CRT Group	Business Services	52.96
Psion	Electronics	52.85
Sims Food Group	Food Manufacturing	52.23
Hardys & Hansons	Brewers & Distillers	52.00
* Dewhirst Group	Textiles	51.95
Vardy (Reg)	Motors	51.50
* Industrial Control Services Group	Electronics	51.47
TV-am	Media	51.16
More O'Ferrall	Media	51.05
Fleming Enterprise Investment Trust	Investment Trusts	51.00
Murray Ventures	Investment Trusts	50.97
* Malvern UK Index Trust	Investment Trusts	50.85
* Burnfield	Electricals	50.74
Shires Investment Co.	Investment Trusts	50.05
Matthews (Bernard)	Food Manufacturing	49.78
* Manchester Ship Canal Co.	Transport	49.60
Alba	Electronics	49.08
* Forth Ports	Transport	48.87
Galliford	Contracting, Const.	48.73
* Tunstall Group	Electronics	48.49
Liberty	Stores	47.86
Walker Greenbank	Miscellaneous	47.53
* Lowland Investment Co.	Investment Trusts	47.44
McAlpine (Alfred)	Contracting, Const.	46.67
MTL Instruments Group	Electronics	46.62
JLI Group	Food Manufacturing	45.61
TR Property Investment Trust	Investment Trusts	45.51
* New Frontiers Development Trust	Investment Trusts	46.50
Sturge Holdings	Insurance Brokers	45.24
* Jones Stroud (Holdings)	Electricals	44.59
Greggs	Food Retailing	44.58
Baillie Gifford Japan Trust	Investment Trusts	44.44
Boot (Henry) & Sons	Contracting, Const.	44.36
* Jarvis Porter Group	Packaging,Paper&Prntg	44.20
Moorgate Smaller Companies Income Tst	Investment Trusts	44.16
* Pacific Assets Trust	Investment Trusts	44.01
Southend Property Holdings	Property	43.92
Bristol Evening Post	Media	43.31
* TR Far East Income Trust	Investment Trusts	43.21
Sinclair (William) Holdings	Miscellaneous	43.14
* Rathbone Brothers	Other Financial	42.75
* Sherwood Computer Services	Business Services	42.62
* Telemetrix	Electricals	42.39
Stat-Plus Group	Packaging,Paper&Prntg	42.14
* Gold Greenlees Trott	Media	41.60
Countryside Properties	Contracting, Const.	41.30
* Acatos & Hutcheson	Food Manufacturing	41.21
* Airsprung Furniture Group	Miscellaneous	40.97
Goode Durrant	Conglomerates	40.72
* Matthew Clark	Brewers & Distillers	40.51
* Chemring Group	Miscellaneous	40.49
* Bristol Water Holdings	Water	40.39
* Dawson Group	Transport	40.20
Atlas Converting Equipment	Engineering-General	40.01
McLeod Russel Holdings	Miscellaneous	39.84
* Mid Kent Holdings	Water	39.92
* Westbury	Contracting, Const.	39.87
Pict Petroleum	Oil & Gas	39.71
Resort Hotels	Hotels & Leisure	39.39
* RCO Holdings	Business Services	39.30
Amber Day Holdings	Stores	39.14
First National Finance Corp'n	Other Financial	39.09
* Sirdar	Textiles	39.04
Wyevale Garden Centres	Stores	38.69
* CML Microsystems	Electronics	38.61
* London American Ventures Trust	Investment Trusts	38.51
Wates City of London Properties	Property	38.40
* Admiral	Electronics	38.39
Scholes Group	Electricals	37.91
* Jupiter Tyndall Group	Other Financial	37.84
Renold	Engineering-General	37.50
* Plantsbrook Group	Miscellaneous	37.22
Canning (W.)	Chemicals	37.21
Evans Halshaw Holdings	Motors	37.19
Evode Group	Chemicals	37.08
* API	Packaging,Paper&Prntg	36.97
* Fidelity European Values	Investment Trusts	36.93
* Castings	Metals & Metal Frmng	36.89
* EFM Dragon Trust	Investment Trusts	36.71
* Brown & Jackson	Stores	36.61
* Barbour Index	Business Services	36.56
* Avonside Group	Contracting, Const.	36.47
* Independent Investment Co.	Investment Trusts	36.27
* Dalepak Foods	Food Manufacturing	36.20
Dundee & London Investment Trust	Investment Trusts	36.12

Company	Sector	Mkt Cap £m
* Boxmore International	Packaging,Paper&Prntg	35.95
* Calderburn	Miscellaneous	35.74
* Intercare Group	Health & Household	35.67
Bentalls	Stores	35.21
Aegis Group	Media	35.05
* Reliance Security Group	Business Services	34.79
* Finsbury Growth Trust	Investment Trusts	34.63
* Erskine House Group	Miscellaneous	34.58
* Greenfriar Investment Co.	Investment Trusts	34.58
* Electronic Data Processing	Electronics	34.43
Chesterfield Properties	Property	34.38
* Manchester United	Hotels & Leisure	34.06
* Saville Gordon (J.) Group	Metals & Metal Frmng	34.00
* Boosey & Hawkes	Hotels & Leisure	33.94
* Marling Industries	Other Materials	33.88
* Hall Engineering (Holdings)	Engineering-General	33.31
Nestor-BNA	Health & Household	32.93
* Ash & Lacy	Metals & Metal Frmng	32.90
* Stirling Group	Textiles	32.83
* Ivory & Sime	Other Financial	32.76
* Mayflower Corp'n	Engineering-General	32.74
Cook (William)	Metals & Metal Frmng	32.38
* British Data Management	Business Services	32.33
* Bemrose Corp'n	Packaging,Paper&Prntg	32.25
* Moorgate Investment Trust	Investment Trusts	32.00
* Foreign & Colonial Germany Inv. Trust	Investment Trusts	31.84
* Stoddard Sekers International	Textiles	31.64
* Baltic	Other Financial	31.63
* Foreign & Colonial Enterprise Trust	Investment Trusts	31.51
* Securiguard Group	Business Services	31.23
* Gartmore Emerging Pacific Inv. Trust	Investment Trusts	30.98
Fenner	Engineering-General	30.97
* Tay Homes	Contracting, Const.	30.92
* Reed Executive	Business Services	30.71
Midland & Scottish Resources	Oil & Gas	30.68
Allied London Properties	Property	30.62
* Neotronics Technology	Electricals	30.35
* London Scottish Bank	Other Financial	30.35
* Campari International	Textiles	30.26
* Martin Currie Pacific Trust	Investment Trusts	30.13
* Great Southern Group	Miscellaneous	30.02
* Taylor Nelson AGB	Media	30.01
* Continental Assets Trust	Investment Trusts	29.93
* Smith New Court	Other Financial	29.93
Vibroplant	Contracting, Const.	29.92
* Trafford Park Estates	Property	29.81
Haden MacLellan Holdings	Engineering-General	29.80
* Kleinwort Endowment Policy Trust	Investment Trusts	29.55
Bridon	Engineering-General	29.46
* Everest Foods	Food Manufacturing	29.29
Porter Chadburn	Conglomerates	29.23
* Scottish Value Trust	Investment Trusts	29.22
* AAF Industries	Other Financial	29.21
* Abtrust New Dawn Investment Trust	Investment Trusts	29.11
Crest Nicholson	Contracting, Const.	29.06
* Maddox Group	Electricals	28.97
* Church & Co.	Stores	28.96
* Ross Group	Miscellaneous	28.57
* Vistec Group	Electronics	28.54
* Prospect Industries	Engineering-General	28.40
* Epwin Group	Building Materials	28.39
Expamet International	Other Materials	28.31
Appleyard Group	Motors	28.28
* Faber Prest	Miscellaneous	28.29
* Metro Radio Group	Media	28.20
* Ulster Television	Media	28.13
Ratners Group	Stores	27.84
* Proteus	Engineering-General	27.72
* Lee (Arthur) & Sons	Metals & Metal Frmng	27.48
* Hill & Smith Holdings	Engineering-General	27.30
* Value & Income Trust	Investment Trusts	27.26
* European Motor Holdings	Motors	27.02
* Lionheart	Miscellaneous	26.98
* Paribas French Investment Trust	Investment Trusts	26.70
Stanhope Properties	Property	26.58
* TR European Growth Trust	Investment Trusts	26.48
* Alexandra Workwear	Textiles	26.38
MTM	Chemicals	26.13
* Aberdeen Trust	Other Financial	26.10
* Burtonwood Brewery	Brewers & Distillers	26.05
* Fleming Fledgeling Investment Trust	Investment Trusts	25.89
* Maunders (John) Group	Contracting, Const.	25.85
* Young & Co's Brewery N/V	Brewers & Distillers	25.75
* Radio Clyde Holdings	Media	25.62
* Relyon Group	Miscellaneous	25.60
* CIA Group	Media	25.32
* German Smaller Companies Inv. Tst.	Investment Trusts	25.31
Asda Property Holdings	Property	25.25
* Selective Assets Trust	Investment Trusts	25.19
* North British Canadian Investment Co.	Investment Trusts	25.11
* Caster	Business Services	25.16
* Elswick	Packaging,Paper&Prntg	24.74
* McCarthy & Stone	Contracting, Const.	24.83
* Rutland Trust	Other Financial	24.62
* Henderson Highland Trust	Investment Trusts	24.54
* Second Market Investment Co.	Investment Trusts	24.18
* CE International	Engineering-General	23.98
Triton Europe	Oil & Gas	23.93
* Wheway	Engineering-General	23.77
* Tie Rack	Stores	23.63
Austin Reed Group A N/V	Stores	23.53
* Dolphin Packaging	Packaging,Paper&Prntg	23.53
* Stanam	Building Materials	23.52
* Wolstenholme Rink	Chemicals	23.48
* Benson Group	Engineering-General	23.44
Scottish Metropolitan Property	Property	23.31
Hi-Tec Sports	Hotels & Leisure	23.05
* Govett Investment Trust	Investment Trusts	23.03
* Baggeridge Brick	Building Materials	23.00
* Isotron	Health & Household	22.95
* Fleming Int. High Income Inv. Trust	Investment Trusts	22.89
* Henlys	Motors	22.71
* TR High Income Trust	Investment Trusts	22.62
* Headline Book Publishing	Media	22.58
Ashley Group	Food Retailing	22.52
Wholesale Fittings	Electricals	22.49
* Beta Global Emerging Market Inv. Tst.	Investment Trusts	22.33
Caird Group	Chemicals	22.32
* Ashtead Group	Contracting, Const.	22.23
* Henderson Strata Investments	Investment Trusts	22.18
* Ipeco Holdings	Engineering-Aerospace	22.10
* Hampson Industries	Engineering-General	21.97
* Exeter Preferred Capital Inv. Trust	Investment Trusts	21.95
* Perry Group	Motors	21.81
* Helene	Textiles	21.64
* S & U	Other Financial	21.55
* Anglo United	Chemicals	21.54
* Ricardo International	Miscellaneous	21.49
* Chloride Group	Electricals	21.46
* [illegible] Harris Group	Property	21.44
* Fleming European Fledgeling Inv. Tst.	Investment Trusts	21.38
* Haggas (John)	Textiles	21.36
* ISA International	Electronics	21.32
* Quality Care Homes	Health & Household	21.31
* Page (Michael) Group	Business Services	21.24
* Morgan Grenfell Equity Income Trust	Investment Trusts	21.20
* Grampian Television A N/V	Media	21.11
* [illegible]	Electronics	21.05
* Leslie Wise Group	Textiles	20.82
* [illegible]	Chemicals	20.72
* County Casuals Holdings	Stores	20.59
* Hicking Pentecost	Textiles	20.69
* Sheffield Insulations Group	Building Materials	20.63
* I & S UK Smaller Companies Trust	Investment Trusts	20.57
* London & St. Lawrence Investment Co.	Investment Trusts	20.51
* Moss Bros Group	Stores	20.28
* Hopkinsons Group	Engineering-General	20.13
* [illegible]	Stores	20.05

The constituents of the FT-SE 100 and FT-SE Mid 250 indices appeared on October 8. *New entrant to FT-A All-Share index.

خطأ من الأصل

COMPANIES AND FINANCE

Airline recovery helps Club Med back into black

By Alice Rawsthorn in Paris

CLUB Méditerranée, one of the largest French leisure groups, returned to profit last year following a recovery in its airline business.

The group, which has been expanding its cruise ship interests but is still best known for its holiday villages, made net profits of FFr160m ($29.62m) in the year to October 31, against a loss of FFr17m in the previous year.

However, Club Med did not perform as well as it had hoped, falling below the FFr240m of net profits initially expected.

The shortfall was largely due to the poor performance of its US subsidiary, which suffered an unexpectedly sharp fall in profits during the first nine months of 1992.

The drop reflected higher costs and the US dollar's weakness against the French franc.

Club Med yesterday attributed its return to profits in 1991-92 to reasonably stable activity during the financial year.

It also managed to prevent the recurrence of the exceptional losses on its airline activities that hit the previous year's results.

During that year Club Med, in common with other holiday companies, was badly affected by the impact of the Gulf war on international travel.

The group said its winter trading had so far been relatively stable compared with that of last year and there had been an improvement in the performance of its US and Asian businesses.

Club Med is in the throes of a renovation and expansion programme and this summer launched a FFr1bn bond issue to finance its plans.

Leading executive at Generali resigns

By Haig Simonian in Milan

MR Fabio Fegitz, one of Generali's three managing directors, has resigned from the Italian insurance company. The surprise departure, for "personal reasons", immediately triggered speculation about differences of opinion among top management at Italy's biggest insurer.

Mr Fegitz had previously headed the company's London operations for 27 years.

But some observers maintained his resignation owed more to the difficulties of re-establishing himself at a highly bureaucratic head office in Trieste than a clash over strategy.

The company forecast an unchanged loss in its non-life underwriting activities this year, based on figures for the first nine months, while earnings from life insurance were set to rise. In 1991, Generali lost L112.8bn ($80.5m) in non-life underwriting and made L493.4bn on the life side.

It gave no absolute figures for its nine-months results in either life or non-life business.

However, it said the claims ratio on its Italian non-life business had started to improve after years of steady decline. The company attributed the change to better market conditions and more careful selection of risks.

The company, which last year made net earnings of L563.9bn, made no 1992 profits forecast. But it said this year's earnings would be swollen by exchange rate factors, whereas new Italian tax measures would have a negative effect.

Group premiums in the first nine months rose by 26.2 per cent to L11,330bn from L8,981bn at the end of September last year. Adjusted for exchange rates, overall premiums climbed by 13.2 per cent, with a 15.6 per cent rise in life insurance and a 11 per cent increase on the non-life side.

Although investment income jumped by 29 per cent in the first nine months, Generali warned that profits from trading would be "satisfactory" but below last year's level.

Grupo Torras move sparks bitter criticism

KIO's departure from Spain may lead to a political witch hunt, writes Peter Bruce

THE DECISION last Friday by the Kuwait Investment Office to place its Spanish holding company, Grupo Torras, into receivership has sparked fierce criticism of the KIO in Spain and threatens to open an unprecedented political witch hunt in Kuwait.

Influential Spanish newspapers turned on Kuwait this weekend, saying the Torras receivership was a betrayal of promises made by the new KIO management to the Spanish government.

In Kuwait, critics of the ruling al-Sabah family, closely identified with the former management of the KIO and Torras, called for the assets of people involved with Torras to be frozen.

An opposition newspaper in the emirate called the affair "the theft of the century".

The KIO's departure from Spain was colourful. Mr Mahmoud al-Nouri, who has run Torras since June, trooped into a press conference with a string of legal advisers in tow.

One read out the results of an investigation into the past management of the KIO's six-year investment spree in Spain. These were a $2bn loss on share trades, a $700m loss on share support schemes and a $600m loss on short-term financing.

Another, hired to frame charges against the former Torras management, said he was still not sure who would be charged, what the charges would be and when they would be brought.

Mr al-Nouri said Torras was in a much worse state than originally believed, that the KIO had lost $4bn in Spain (adding $700m to the lawyer's estimates), and that it had no choice but to call in the receivers.

In fact, the KIO has known for months what state Torras was in. But after nearly six months of alleging misappropriation by former managers, particularly Mr Javier de la Rosa, the financier who ran the KIO's investments in Spain until last June, the KIO was facing a sticky problem.

At some stage the KIO would have to take some responsibility for the Torras businesses not already driven into receivership or cut off from funding since June.

By getting out now, it could still explain the receivership away as a consequence of past betrayals.

But the Spanish press, which has taken the new Torras management seriously until now, did not see it that way.

Expansion, a business daily, called on Madrid to protest to the Kuwaiti government. "The sorry witch hunt and the allegations of the new management... have ceased to interest the public and cannot be used to justify the clumsiness and lack of management of the new leadership [of Torras]," it said.

Among daily newspapers, El Mundo called the receivership a "state fraud" and said the move threatened 100,000 Spanish jobs, directly and indirectly.

Former Spanish and KIO managers could implicate members of Kuwait's ruling al-Sabah family in the Torras debacle

El Pais blamed Mr de la Rosa for the Torras collapse, but said the KIO and Kuwait had "betrayed" Spain for failing to fulfil a promise made two months ago to invest a fresh $1bn in the Torras group.

Although the receivership only affects Torras and not its surviving industrial affiliates, these companies are now vulnerable – particularly Spain's biggest paper-maker, Torraspapel.

In September the KIO promised to inject $400m into the company but has so far transferred only $180m.

Torraspapel will have to find the rest itself, but many unhappy banks are already owed money by now-deserted Torras affiliates.

"The public campaign against de la Rosa has hurt all the companies, even the good ones," commented one independent corporate analyst in Madrid. "There is no goodwill left."

What Friday's departure does leave behind are questions. Last December one KIO auditor, KPMG Peat Marwick, valued Torras' assets at $2.9bn, saying they had cost $4.4bn. For the KIO to say it has lost all $4.4bn is to imply, improbably, that $2.9bn has vanished in the past year alone, the last half of it under new management.

And Peat Marwick warned then that a "forced sale [of assets] in the current European recessionary climate could result in a significant loss of the investment made by the KIO to date."

The Kuwaitis appear to have decided to take the loss anyway, as the price, at least, of a quick retribution against de la Rosa and former KIO managers whom they believe have enriched themselves at Kuwait's expense.

It is important for the reputations of the KIO and its advisers that they make a legal case in Spain that sticks.

But even an unsuccessful prosecution is likely to open a political Pandora's box inside Kuwait.

Former Spanish and KIO managers could implicate members of the al-Sabah family in the Torras debacle.

Already forced to devolve more political power, the Emir now faces constant pressure for greater transparency in the management of Kuwait's finances.

"The secrecy which has surrounded [the Spanish] investments was a big mistake. The people must know," Mr Jassem al-Saadoun, an adviser to the new Kuwaiti parliament, said at the weekend.

"The time has come to punish those who abused public money and to freeze their money while the judicial authorities have investigated this tragedy," said Mr Abdul-Jalil al-Gharabali, a former consultant to the Kuwaiti central bank.

The political prize in Kuwait is control of its oil revenues. So far this has been the reserve of some of the al-Sabahs, but Kuwait is changing fast.

Mixing the KIO's Spanish adventure into Kuwait's freer post-war politics could stir up a hornet's nest.

Management shake-up for Dow Chemical

By Alan Friedman in New York

DOW CHEMICAL, the second biggest US chemicals group, has unveiled a reorganisation aimed at creating a more flexible management structure to improve international competitiveness.

The company, which suffered a 35 per cent decline in third-quarter net income to $145m, called the reorganisation a streamlining.

At the heart of the changes is a new division of management responsibilities for Mr Frank Popoff, the chairman, and Mr William Stavropoulous, who becomes president and chief operating officer next April.

Mr Popoff will be responsible for all Dow divisions as well as the Marion Merell Dow pharmaceuticals subsidiary. Mr Stavropoulous will be responsible for three core global businesses.

A six-person executive committee, including Mr Popoff and Mr Stavropoulous, will take responsibility for long-term business strategies and finance.

Dow will discontinue its corporate product department and replace it with global core business groups focused on plastics, chemicals and performance products.

These will be headed by new group vice-presidents who will report to Mr Stavropoulous.

Dow's management of Canada, Mexico and the US will be consolidated into a North American area, to be based at corporate headquarters in Midland, Michigan.

"Our present organisation has served us well over the past three decades," Mr Popoff explained yesterday.

"The new organisation will serve Dow's needs by maintaining flexibility to adapt to change and enhancing global competitiveness," he added.

Cornelissen quits Royal Trustco directorship

By Robert Gibbens in Montreal

MR MICHAEL Cornelissen, who headed Royal Trustco for 10 years during its international expansion, has resigned as a director and will not now become vice-chairman.

Royal Trustco is Canada's second-biggest trust company and a key member of the Edper group controlled by the Toronto Bronfman family. It reported a third-quarter loss of C$243m (US$190m) after write-downs on North American and UK property investments, and has sold its US affiliate Pacific First Financial.

Its domestic trust business remains profitable.

Mr Cornelissen stepped down as chief executive in September. Mr James Miller, 61, a chartered accountant, took over last week as chief executive, a month earlier than expected.

Mr Hartland MacDougall, chairman, said: "Mr Cornelissen thought it best for personal reasons to sever all ties."

● Laurentian Bank, controlled by the Laurentian financial services group, reported profits for the year ended August 31 of C$38.7m, up 13 per cent from the previous year.

US-UK joint venture in new TV technology

NATIONAL Transcommunications of the UK has signed a joint venture agreement with Scientific Atlanta of the US to develop digital compression television equipment, writes Raymond Snoddy. Digital compression offers the ability to squeeze several television channels into the space currently occupied by one.

NTL, the privatised former transmission and research arm of the Independent Broadcasting Authority and Scientific Atlanta, have agreed to share technical knowledge and will jointly market products for the terrestrial, cable and satellite television industries.

Sandoz in $300m deal with US research body

By Ian Rodger in Basle

SANDOZ, the Swiss pharmaceutical and chemicals group, is to contribute at least $300m to Scripps Research Institute of the US over the next 14 years as part of a basic research alliance.

In return, Sandoz is to receive first rights to develop medical discoveries of Scripps, a non-profit institute based in California which specialises in immunology, nervous system disorders and cardiovascular research.

The deal reflects a continuing shift in Sandoz's research strategy from concentration in internal laboratories in Basle to external alliances.

Last year, Sandoz committed itself to spending up to $100m over 10 years in oncology research at the Dana-Farber Cancer Institute in Boston and invested $392m in a 60 per cent stake in SyStemix, a Californian biotechnology company.

Sandoz will begin contributing to Scripps Research Institute gradually, as joint research projects are agreed over the next four years.

Mr Marc Moret, chairman of Sandoz, said the agreement would enable Sandoz to lift basic research capability by about a quarter.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.12.92: Pool purchase price £/MWh	Final Prices for Trading on 08.11.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.77	20.32	20.32
0100	34.69	26.17	26.18
0130	34.69	26.17	26.16
0200	34.69	26.17	26.13
0230	27.66	23.27	25.08
0300	39.06	23.27	25.09
0330	39.06	23.27	25.11
0400	24.49	22.87	24.89
0430	21.82	17.71	17.71
0500	21.34	17.70	17.70
0530	17.62	17.51	17.51
0600	17.62	17.51	17.51
0630	17.69	17.51	17.51
0700	17.70	17.51	17.51
0730	17.70	17.51	17.51
0800	17.70	17.51	17.51
0830	17.69	17.69	17.69
0900	17.71	21.41	23.30
0930	22.68	21.87	23.82
1000	23.03	22.43	24.33
1030	23.52	22.15	23.86
1100	[illegible]	23.28	25.12
1130	24.62	24.34	26.26
1200	29.35	24.34	26.25
1230	29.35	24.34	26.24
1300	29.35	24.34	26.23
1330	29.35	24.34	26.25
1400	20.49	20.60	20.60
1430	18.33	20.32	20.32
1500	17.77	17.71	17.71
1530	17.87	17.71	17.71
1600	18.69	18.12	18.12
1630	25.88	20.32	20.32
1700	25.88	24.34	26.17
1730	29.46	29.09	31.05
1800	29.46	26.86	28.82
1830	29.46	29.09	31.04
1900	25.88	24.58	26.36
1930	24.62	26.86	28.78
2000	24.62	26.86	28.81
2030	23.87	24.40	26.19
2100	23.56	24.15	25.94
2130	23.52	23.71	25.49
2200	23.52	23.52	25.30
2230	23.52	23.52	25.31
2300	17.77	18.10	18.10
2330	17.71	17.70	17.70
2400	17.62	17.71	17.71

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.12.92: Pool purchase price £/MWh	Final Prices for Trading on 08.11.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.87	18.23	18.23
0100	25.11	23.52	25.56
0130	44.50	23.52	25.53
0200	44.50	28.35	30.54
0230	25.11	23.24	25.19
0300	25.11	22.69	24.64
0330	26.11	22.69	24.85
0400	18.25	18.12	18.12
0430	17.77	17.71	17.71
0500	17.87	17.71	17.71
0530	17.72	17.72	17.72
0600	17.71	17.72	17.72
0630	17.75	18.04	18.04
0700	18.24	20.32	20.32
0730	23.79	25.10	27.18
0800	24.46	25.17	27.22
0830	24.26	25.17	27.18
0900	24.47	28.77	30.92
0930	27.29	28.09	30.19
1000	27.28	28.77	30.88
1030	27.29	28.77	30.86
1100	24.69	28.77	30.83
1130	24.69	28.77	30.82
1200	24.69	28.77	30.81
1230	24.69	28.77	30.82
1300	24.69	26.50	26.50
1330	20.72	26.01	26.01
1400	20.72	26.01	26.01
1430	20.72	26.01	26.01
1500	20.62	24.36	24.36
1530	20.65	24.36	24.36
1600	30.25	24.37	24.37
1630	42.04	29.41	29.41
1700	60.26	37.23	40.66
1730	59.86	50.03	53.69
1800	49.64	48.74	62.22
1830	31.05	37.12	39.62
1900	28.04	29.47	31.46
1930	27.39	28.72	30.70
2000	24.69	28.01	29.99
2030	24.16	25.17	27.06
2100	23.63	25.17	27.09
2130	23.79	24.78	26.70
2200	23.66	24.60	26.54
2230	20.49	23.90	25.63
2300	18.43	20.66	20.66
2330	17.72	20.32	20.32
2400	17.71	18.06	18.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.
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UK GILTS

Conflicting signals cloud outlook

INVESTORS are in a confused mood as a result of conflicting signals about the outlook for bonds.

Gilts closed on Friday on a high note, shrugging off the downturn in prices at the start of the week and the slightly disappointing outcome to the auction last Wednesday of £2.5bn of securities from the Bank of England.

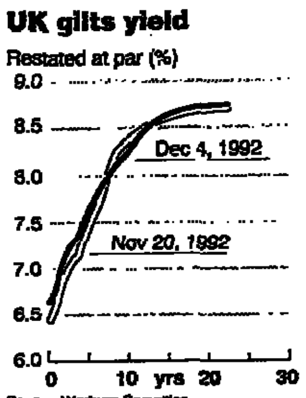
However, the stronger pound helped spark buying pressure for gilts and bonds finished on Friday largely unchanged on the previous week.

Over the past two weeks short-dated gilts have seen a moderate rise in yields and fall in prices, as expectations about further cuts in base rates have eased. That has fitted in with generally more bullish sentiment about a weak recovery in the UK next year, as reflected by a strong tone recently on the London stock market.

It is generally reckoned that the government is unlikely to want to sanction further cuts in base rates, now 7 per cent, before early next year.

The auction last Wednesday of 8 per cent bonds due in 2003 received bids only about 1.3 times above the value of gilts on sale, a figure for the "cover ratio" considered to be fairly low. Overseas investors mainly stayed away from the auction, leaving most of the stock to be picked up by domestic institutions.

Although the Bank of England was probably reasonably happy with the day's events, the auction did not augur particularly well for the run of auctions expected over the next year as the Bank tries to sell a large volume of securities to pay for Britain's burgeoning public sector borrowing requirement.



Source: Warburg Securities

Mr John Shepperd, an economist at S. G. Warburg Securities, said overseas support for the auction was "fairly close to negligible".

He said this was not a good sign, bearing in mind the Bank would have to try to sell large volumes of securities to non-UK institutions in the 1993-94 financial year when the Treasury expects the PSBR to be around £44bn, after a projected £37bn in 1992-93.

"Britain will almost certainly need large purchases of gilts by foreigners over the next two years; it would be wrong to think that domestic institutions will be in a position to buy all the gilts that will be on offer," said Mr Shepperd.

Demand for gilts during the week, however, was boosted by the strong gains made by the pound against a D-Mark weakened by growing indications about a German economic slowdown.

On Friday, sterling finished in London more than 1 pfennig stronger on the day against the D-Mark at DM2.4875. That represented a gain of slightly more than 7 pfennigs on the week and was its highest closing level since mid-October.

Some of the strength in the UK currency was due to indications that a fragile recovery may be about to start, a development which might have been expected to reduce demand for gilts on the grounds that inflationary pressures could be expected to increase.

But according to Mr Ian Blance, an economist at Nikko Securities in London, gilt investors are, if anything, hoping that a recovery will start relatively soon.

That is on the grounds that an upturn, even a modest one, will reduce the strains on the PSBR resulting from large increases in unemployment pay and a reduced tax take. As a result, an economic recovery could remove some of the strains on the gilt market arising from expectations of large volumes of price-depressing gilts issues.

Peter Marsh

US MONEY AND CREDIT

Market rallies on signs of recovery

CONVENTIONAL bond market psychology was stood on its head on Friday, when the benchmark 30-year Treasury issue staged a powerful rally on the back of a series of encouraging macro-economic statistics that appeared to signal a strengthening of the US recovery.

Normally, investors in the bond market take flight when the economy looks better, on the grounds that good news means the Federal Reserve is less likely to make further cuts in interest rates.

But last Friday's jobs data – showing the US unemployment rate for November down from 7.4 per cent to 7.2 per cent – caused a $\frac{11}{32}$ rise in the price of the 30-year Treasury bond, with bond investors apparently as enthusiastic as their counterparts in the equity market.

The yield on 30-year paper declined from 7.55 per cent to 7.48 per cent on Friday.

The bond market's unusual reaction to the jobs data, which followed other encouraging signs, can be explained in part as a function of investor expectations about the likely fiscal measures planned by the incoming administration.

The logic of bond investors was that if the economy's recovery is shown to be more buoyant than was thought to be the case, then President Clinton might reduce the size of his job-creation and other spending measures aimed at stimulating the economy.

Investors believe that if the upturn proves stronger than previously thought, President Clinton might trim his plans to stimulate the economy

A more modest package of fiscal stimuli would appeal to investors concerned that too much new spending would worsen the deficit and have a broadly inflationary impact.

That in turn could require the government to issue more Treasury paper to pay for the stimuli, creating a greater supply in the market and depressing bond prices generally.

Some US economists were remarkably bullish on Friday. "The economy is up and running; we're out of the rut," said Mr Allen Sinai, an economist at Boston Co Economic Advisers.

Yet sceptics abound. Salomon Brothers, for example, noted that the new jobs data confirmed the US economy was "ending its long flirtation with recession," though the investment bank reckoned that the signs of recovery were still insufficient to convince fiscal policy makers to abandon plans for fresh stimuli.

Salomon summed up its cautious view by saying that while "the US job engine has shifted from reverse to forward, it remains in first gear", while analysts at Donaldson, Lufkin and Jenrette termed the fledgling economic improvement "far from robust."

Mr Phillip Braverman, chief economist at DKB Securities in New York, was even more bearish. "The strength of recent economic reports is largely explained away by special factors. The economy remains stagnant, requiring fiscal stimulus and Fed easing."

This week's economic data will include the release of November producer price numbers on Thursday, with a 0.1 per cent rise forecast by many, and consumer price figures for last month on Friday, with a consensus forecast of a 0.2 per cent increase.

Alan Friedman

EUROPEAN GOVERNMENT BONDS

Bundesbank unlikely to cut rates

ALL EYES will be on Thursday's meeting of the Bundesbank's central council, the last for the current year and therefore the sole remaining opportunity this year for Germany's central bankers to deliver the long-awaited cut in interest rates.

There was plenty of evidence last week to stimulate hopes that rates would be cut.

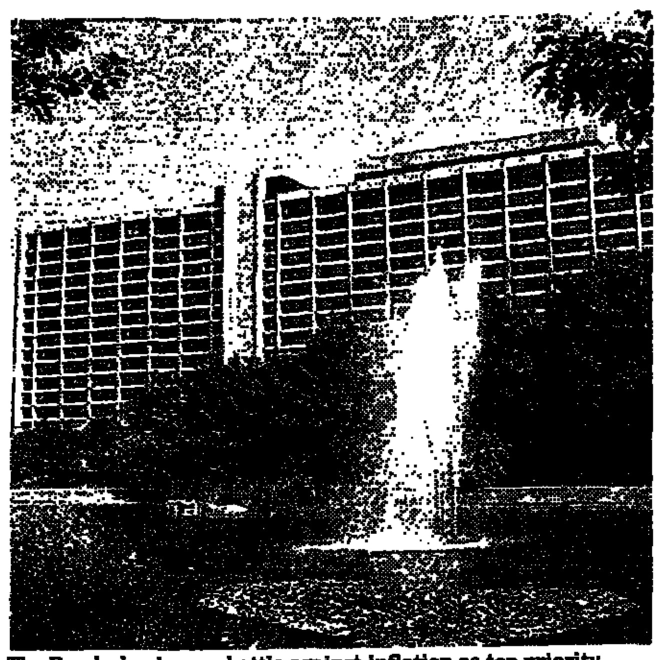
A raft of statistics showed it is more likely than not that Germany's stagnation will deteriorate into a recession, for example, an adjusted 0.5 per cent fall in third-quarter gross domestic product from the previous quarter, and a 2 per cent contraction in industrial output in October against the previous month, and a plunge in manufacturing orders.

The worse the state of the economy, the better the outlook for inflation and ultimately interest rates.

Taken together with signs of wage restraint – last week steel-workers in the north-western region of Germany settled for an effective 3.3 per cent a year between 1992 and 1994 and the insurance industry for 4.3 per cent – it is not surprising the bund market staged a rally later in the week, with prices rising across the yield curve on Thursday and Friday.

However, these positive market developments have to be balanced against a number of factors which make it unlikely that the cut will come this week.

Inflation is still running at 3.7 per cent – annualised M3 growth for October was at more than 10 per cent, compared with the 3.5-5.5 per cent target range – and the Bundesbank has made it clear in recent weeks that the battle against inflation is its chief priority.


The Bundesbank: sees battle against inflation as top priority

Furthermore, the greater the political pressure to abandon this orthodoxy – in the name of the European Monetary System, for example – the more stubborn the central bank is likely to be in defence of its position. At present, the political pressure is enormous, with the French franc under fire and the European Community summit in Edinburgh looming.

For this reason the Bundesbank, embarrassed at the way its last interest cut in September was presented as a victory for the politicians, is unlikely to deliver even a token cut on Thursday.

The consequences for the EMS are of secondary importance to the preservation of the central bank's credibility in the battle against domestic inflation.

More likely is a gradual easing from the first quarter of next year – after the public sector wage round has started in the first half of January.

The deteriorating outlook for the real economy may then start to affect prices. Inflation is being driven upwards by increases in rents and services and is likely to be pushed above 4 per cent from the beginning of next year because of rise in the rate of value added tax to 15 per cent from January 1.

The problem for investors in the bund market is that a gradual sinking of interest rates in the first months of next year has already been discounted.

The yield curve has flattened out. Mr Thomas Mayer, chief economist at Goldman Sachs in Frankfurt, says that the best investment opportunities are at the shorter end of the curve – that is, bunds with maturities of two years where yields are at 7.37 per cent against 7.18 per cent for 4-5 year bunds and 7.33 per cent for 10-year bunds.

Mr Mayer believes long bunds may test the 7.00 per cent mark in the first quarter of next year if interest rates do come down.

In the meantime, he is advising clients who wish to invest in D-Marks to put their cash on deposit for six months, where they can obtain 8.5 per cent interest.

David Waller

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	105¼	–⅛	5.18
ABN 9 1/8 94	200	105⅜	–⅛	5.30
AETNA LIFE & CAS 7 3/4 16	200	102¼	+⅛	7.55
ALBERTA PROVINCE 8 5/8 96	750	106¼	–⅛	6.64
ALBERTA PROVINCE 9 3/8 95	600	108½	–⅛	6.08
AMERICAN EXPRESS ZERO 00	450	51½	+⅛	8.62
AMERICAN GENERAL 9 3/4 95	100	108⅛	–⅛	6.21
AMERICAN INTL 0 04	750	39⅜	–⅛	8.29
ASIAN DEV BANK 0 04	1000	40¼	–⅛	8.06
ASIAN DEV BANK 8 96	100	104¼	–⅛	6.61
AUSTRALIA 11 95	200	111¼	–⅛	6.01
AUSTRIA 7 3/4 97	200	104¼	–⅛	6.55
AUSTRIA 8 1/2 00	400	107¼	–⅛	7.18
AUSTRIA 9 1/4 96	100	108¼	–⅛	6.41
BANK OF TOKYO 8 3/8 96	100	105½		6.46
BARCLAYS JERSEY 10 5/8 95	250	111½	–⅛	6.34
BASF FIN EUROPE 7 99	200	98¼	–⅛	7.23
BAYER USA 8 1/4 96	150	105¼	–⅛	6.64
BELGIUM 8 97	300	105½	–⅛	6.45
BELGIUM 8 3/4 98	400	108	–⅛	6.90
BELGIUM 9 2 10	500	111¼	–⅛	7.98
BELGIUM 9 5/8 98	250	111⅞	–⅛	6.97
BFCE 7 3/4 97	150	104¼	–⅛	6.56
BFCE 9 1/4 95	150	108⅜	–⅛	5.90
BNP 8 5/8 94	300	105½	–⅛	5.14
BOOTS 9 97	175	106⅞	–⅛	7.00
BP AMERICA 9 3/4 99	250	112	–⅛	7.47
BP CAPITAL 9 1/8 94	75	104¼	–⅛	5.57
BPCA FINANCE 8 3/8 98	150	104¼	–⅛	7.37
BRITISH GAS 8 3/8 99	350	105¼	–⅛	7.33
BRITISH TELECOM FIN 8 3/4 99	200	107½	–⅛	7.28
BRITISH TELECOM FIN 9 3/8 98	250	110¼	–⅛	7.17
CAISSE NAT ENERGIE 11 3/4 95	125	112⅜	–⅛	5.54
CANADA 9 96	1000	108¼	–⅛	6.09
CANADA 10 95	500	110⅝	–⅛	5.98
CANADIAN PACIFIC 7 1/2 96	100	101¼	–⅛	6.93
CARIPLO 8 3/4 98	200	104½	–⅛	7.71
[illegible]				

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex.yld = exercise yield at current warrant price.
Closing prices on December 4

INTERNATIONAL BONDS

Bank tries to boost prospects for UK securitisation

SECURITISATION, touted as the latest growth market in Europe for the past few years, has so far failed to live up to high expectations.

The largest market in Europe, the UK mortgage-backed market, totals around £9bn, or 3 per cent of total mortgage loans outstanding. It is dwarfed by the massive $1,000bn US mortgage-backed sector, which accounts for 40 per cent of all residential mortgage debt, according to Bank of England figures.

The prospects for securitisation in the UK have recently had two boosts. Last week, the Bank of England rescinded its plans to increase the risk weighting of mortgage-backed securities from 50 per cent to 100 per cent, effective January 1, 1993.

The threat of a 100 per cent risk weighting had driven many banks, a mainstay of the market's investor base, away from the market.

In November, the Accounting Standards Board, the UK accounting regulators, gave in to pressure to change proposed rules that could have stopped banks and companies from securitising assets.

The ASB proposed last year that all securitised assets – where a bank or other entity passes assets to a special purpose vehicle, which then issues bonds against them – should remain on the originator's balance sheet, thus removing a significant attraction of such arrangements.

While still requiring companies to record assets, the new system allows them to express a net asset figure reflecting only the residual risk left with the company from a securitisation.

These two changes are not, however, enough to kick-start the market. In the US, large size and homogeneity of asset pools facilitates securitisation. Pools of receivables in Europe are generally much smaller and more diverse.

Securitisation is designed to allow banks and companies to remove assets from their balance sheets and repackage them as bonds which are then sold to investors.

The theory is that the current squeeze on bank capital and the lack of bank financing available for companies will encourage both to take this route. But the process of securitisation is often prohibitively expensive, or is only viable if a company or bank has large amounts of assets to securitise.

The latest trend for securitisation involves assembling different receivables in a single pool.

"A number of companies do not fit the pattern for a single origination programme: £50m is a lot of funding to raise in the current market, but not enough to justify its own programme," said Mr Bruce Gaitskell, an executive director in charge of securitisation at UBS Phillips & Drew.

The solution: your bank sets up a vehicle which funds your trade receivables by issuing asset-backed commercial paper. This technique can be used to fund other assets, such as leases.

As well as a Barclays special-purpose company – called Sceptre (Securitisation conduit for the enhancement and purchase of trade receivables across Europe) – other banks involved include Deutsche Bank, Westdeutsche Landesbank and Warburg, and UBS Phillips and Drew.

The US asset-backed commercial paper market has expanded rapidly, on the back of a huge and mature commercial paper market.

For the moment, issuance of commercial paper backed by European receivables may well be concentrated in the larger market. Several European CP markets are still highly regulated, restricting issuance, and the European investor base for these products is not yet well developed.

Meanwhile, bank regulators in Europe will be watching developments. In the US, the Federal Reserve has come down on the banks which were providing the liquidity guarantees for these programmes.

They were concerned these liquidity guarantees created substantial credit risk for the banks and asked banks to set more capital aside against them.

Since then, many programmes have been restructured so that, for example, specialist insurance replaces liquidity guarantees.

As for the rest of the market, there are signs of life. UBS is believed to be preparing a £180m five-year issue of floating rate notes backed by Leyland-Daf leases and dealer finance plans. The issue, called Truck Funding, will have an average life of 3¾ years.

But the mortgage-backed market, despite the Bank of England move, is still on hold.

The Centralised lenders such as The Mortgage Corporation and National Home Loans, which were once the mainstay of the market, are no longer churning out deals – or mortgages, for that matter.

However, the building societies are looking more closely at securitisation. Although they are originating few mortgages, the decline of retail funds, as investors shift funds into higher-yielding investments, is creating potential funding difficulties.

A number of societies are close to the 40 per cent ceiling of public debt funding permitted under the Building Societies Act. Some have already set up auxiliary mortgage companies, a process required of building societies if they wish to tap the market.

Although only a handful of building societies are likely to issue next year, once the process has begun, others are expected to follow suit.

Several UK clearing banks, including Barclays and Midland, are already well advanced in their preparatory work for mortgage securitisation, and may bring deals next year. Barclays is also considering securitisation of consumer loans and credit card receivables.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Olympus Optical Co.(a)♦	400	1996	4	2.75	100	Yamaichi Int. Europe	-
Yaohan Japan Corp.(a)♦	100	1996	4	2.75	100	Nomura Int.	-
Matsushita Elec.Works(a)♦	300	1996	4	2.75	100	Yamaichi Int.	-
Nishimatsu Construction(a)♦	150	1996	4	2.75	100	Yamaichi Int.	-
Crédit Local de France(b)‡	100	1997	5	(b)	101.625	Morgan Stanley Int.	-
Bankers Trust NY Corp.(c)‡	50	2002	9.78	(c)	100	Bankers Trust Int.	-
United Kingdom	3bn	2002	10	7.25	99.85	CSFB/SG Warburg	7.272
NGK Spark Plug Co.(e,f)♦	200	1996	4	2.75	100	Yamaichi/ Nomura	-
Eurofima(g)‡	150	2003	10	(g)	99.3	Goldman Sachs Int.	-
Lion Corp.(h)♦	100	1996	4	2.625	100	Daiwa Europe	-
Nippon Comsys Corp.(h)♦	80	1996	4	2.625	100	Nikko Europe	-
Electricité de France(i,g)‡	50	2002	9.9	(g)	99.75	UBS P&D Securities	-
Honen Corp.(f)♦	50	1996	4	2.625	100	Nomura Int.	-
Sunkyong Industries(j)♦	25	1997	5	5.875	100	Nikko Europe	-
Columbus 3 Int.Finance(k)	80	1997	5	5.65	100	Salomon Bros.Int.	5.650
Columbus 3 Int.Finance(l)	20	1997	5	7.65	100	Salomon Bros.Int.	7.650
Banamex(o)§	525	1999	7	7	100	Goldman Sachs Int.	-
Nacional Financiera(p)‡	200	1997	≤2.5	(p)	99.75	Kidder, Peabody Int.	-
GECC(q)‡	100	2002	10	(q)	99	Kidder, Peabody Int.	-
Sanwa Australia Finance(r)‡	50	2002	10	(r)	100	Sanwa International	-
DESC(y)	115	1997	5	11	100.55	Goldman Sachs Int.	10.855
Yasuda Tst.Asia Pacific(w)‡	50	2002	10	(w)	101.875	Salomon Bros.Int.	-
GECC(x)	100	1995	2.93	5.25	99.06	Paribas Cap.Mkts.	5.604
YEN							
Nippon Light Metal Co.	20bn	2000	7.25	5.6	101.775	Nomura Int.	5.294
Nippon Light Metal Co.	20bn	1998	5.25	5.3	101.65	Yamaichi Int.(Europe)	4.931
Ishihara Sangyo Kaisha	10bn	2003	10.27	5.7	101.6	Yamaichi Int.(Europe)	5.488
Ishihara Sangyo Kaisha	10bn	1998	5.27	5.35	101.5	Nomura Int.	5.014
Jets International(s)‡★★	5.4bn	1996	3.89	(s)	100.3	Mitsubishi Finance Int.	-
D-MARKS							
GECC	300	1999	7	7.375	101.7	SBV(Deutsch.)	7.059
SSAB	100	1997	5	7.8	101.5	Lehman Bankhaus	7.430
Sugimoto Electric(s)‡★★	10	1997	5	(s)	100	Daiwa Bank	-
Finnish Export Credit(u)	50	1995	2.91	8	-	Merrill Lynch Bank	-
ABN Amro Bank(Lux.)	20	1998	5	7.25	101	ABN Amro(Deutsch.)	7.006
CDE(z)	*300*	*1997*	*5*	*7.75*	*102*	*Bayerische LB*	*7.259*
STERLING							
KfW Int.Finance Inc.	150	1998	5.5	7.875	99.994	BZW	7.869
Royal Insurance(v)§	76	2007	14.95	7.25	100	BZW	-
GUILDERS							
Bk.for Dutch Municipalities	1bn	2005	12	zero	42.538	Rabobank Nederland	7.383
SWISS FRANCS							
Takada Kiko Co.(a)♦★★	35	1996	4	2.626	100	Swiss Bank Corp.	-
Footwork Int.(d)‡★★	50	1997	5	(d)	101	LTCB(Schweiz)	-
Sharp Corp.(a,m)♦★★	500	1996	4	2.5	100	Crédit Suisse	-
Sekisui Jushi Cp.(a,n)♦★★	100	1996	4	2.375	100	Nomura Bank(Switz.)	-
Ohki Corp.(h)♦★★	60	1996	4	2.5	100	New Japan(Schweiz)	-
Province of Ontario	300	2003	10	6.25	102	Crédit Suisse	5.979
Council of Europe	150	2003	10	6	101.5	Banca del Gottardo	5.798
Caetla Co.★★	50	1997	5	6.5	101	Fuji Bank(Schweiz)	6.261
LUXEMBOURG FRANCS							
Bacob Finance	1bn	2000	7	8.25	102.45	Bacob Bank Lux.	7.783
Université du Quebec	1bn	2003	10	8.25	102.7	Paribas Luxembourg	7.874
CERA Bank Luxembourg★★	300	2000	7.92	8.125	102.6875	CERA Bank Lux.	7.694

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Exercise premium fixed at approximately 2.5%. b) Coupon pays 35bp above 3-month Libor. Coupon floor is the preceding coupon and coupon increases are limited to 25bp. c) Fungible with outstanding $150m. Plus 1 day accrued interest. Coupon pays 12.5bp below 3-month Libor. Minimum coupon 5⅜%, maximum 10%. d) Coupon pays 45bp above 6-month Libor. e) European $100m tranche led by Yamaichi Int.(Europe). Asian $100m tranche by Nomura Singapore. Tranches are fully fungible. f) Final terms fixed on 8/12/92. g) Coupon pays 25bp below 6-month Libor. Minimum coupon 5½%, maximum 8¼%. h) Final terms fixed on 7/12/92. i) Fungible with outstanding $100m launched on 4/11/92. Plus 18 days accrued interest. j) Conversion price is won25441, a premium of 3% over 5 day moving average. k) Senior tranche of $100m issue. l) Junior tranche of $100m issue. m) Callable with 60 days notice on 17/12/94 at 101% and on 17/12/95 at 100½%. n) Callable on 17/12/94 at 102% declining by ½% semi-annually. o) Exchangeable into Banacci series L shares at $6.95 (exchange premium 22.32%). Entitlement: 1439 L shares/ $10,000 bond. Callable on or after 15/12/96 at 103% declining by 1% annually. p) Coupon pays 250bp over 3-month Libor. Sinking fund: maximum average life years is 2½. q) Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8½%. r) Coupon pays 60bp above 6-month Libor for first three years and 9½% fixed thereafter. Callable on December 1995 payment date at par. s) Coupon pays 50bp above 3-month Libor. Changeable into fixed rate paper at request of investors on any coupon payment date. t) Coupon pays 40bp above 6-month Libor. u) Issue launched on 15/10/92 has been increased to DM250m. Price, fees undisclosed. v) Conversion price is 312.5p, a 20.8% premium. Coupon payable semi-annually. Callable after 12/7/98 at par. w) Coupon pays 80bp above 6-month Libor for first 3 years and 9% fixed thereafter. Callable on 16/12/95 at par. x) Fungible with outstanding $300m on payment date. Plus 27 days accrued interest. y) Borrowers full name: Sociedad de Fomento Industrial. Coupon payable semi-annually. z) Borrowers full name: Comptoir des Entrepreneurs. Note: Yields calculated on ISMA basis.

RISK AND REWARD

Ignorance and other failures of the regulators

BACK in January, when Mr Gerald Corrigan, head of the Federal Reserve, warned of the unseen risks lurking in the derivatives markets, it seemed a bomb had been put under the banking industry.

With external scrutiny focused on the markets, surely it would be only a matter of time before all the weapons in the international regulatory armoury were wheeled out. Fiercer capital adequacy standards, strict oversight of market operations and assorted other intrusions would surely follow.

Nearly a year on, things look rather different. True, a batch of reports is still awaited, including those from the US General Accounting Office and G30, the banking industry's international think-tank. These may toe the Corrigan line. So far, though, it is the regulators themselves who have come out worse from the scrutiny of these new financial markets.

It is now commonplace to witness bank regulators all but admitting to ignorance of how derivatives markets work. They cloak their ignorance with pious remarks about the need to understand the markets better, and for improved communication, but the message is not lost on anyone.

When did the banking industry last get so far ahead of its regulators? The damage to bank balance sheets caused by the results of leveraged finance in the US, or the bank-financed bubble in property prices in several major economies, could hardly be blamed on a lack of understanding. Negligence maybe, but not ignorance.

There are plenty of other failures which help to explain regulators' nervousness about derivatives.

One is the division of responsibility, which has left the impression that no one is in a position to assess the full risks accruing in the financial system.

The US is the best example. The Federal Reserve, the Securities and Exchange Commission and the Commodities Futures Trading Commission all have an interest in the subject. The division between the CFTC and the SEC is reaffirmed in the Re-authorisation Bill which is due to be confirmed before the present administration stands down.

The SEC meanwhile, feels at a loss because the firms it regulates are busy setting up unregulated subsidiaries for derivatives business. In fairness, the politicians are as much to blame for this state of affairs as the regulators.

The fragmentation is echoed elsewhere. The European Community, for instance, has a raft of directives which have a bearing on the market. Mr Alex Merriman, an EC official, says there are plans to amalgamate some of these rules into simpler, unified directives – but no plans as yet to examine the gaps between the directives or to bring forward new regulations specifically aimed at the new markets.

The regulators are also woefully short of data on what is happening in many over-the-counter markets. How can you predict the knock-on effect of a crisis in one financial market when you do not know the scale of trading or its relationship with other markets?

No wonder regulators have been making a song and dance about the derivatives industry this year. It may well be that some senior bankers do not understand the new risks they are exposed to – but the supervisors are no better off.

It was, therefore, unusual to hear a director of the Bank of England expressing an unfashionable view last week. Mr Pen Kent – admittedly not responsible for banking supervision himself – expressed only mild caution about the new risks banks are running. "We should not be complacent, but nor should we necessarily become alarmist either," he told a conference in London. There would be "huge risks in the cash markets which we would all face if we had no hedging mechanism to spread them and share them," he said.

Not that he does not share some of the concerns of other observers. Some banks are writing 30-year options, he says: how can they price such instruments to reflect the true risks they are running?

But the regulators have a long way to go before they can take the derivatives specialists to task.

Richard Waters

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close December 4

Quotations in cents unless marked $

MONTREAL

4 pm close December 4

Total Sales 18,705,300 shares

INDICES

NEW YORK

DOW JONES	Dec 4	Dec 3	Dec 2	Dec 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3288.68	3276.53	3286.25	3294.36	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.62	102.52	102.44	102.50	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1430.27	1435.91	1426.85	1423.82	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.57	216.45	217.39	218.20	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3312.46 (3302.73) Low 3261.40 (3252.48) (Theoretical)
Day's High 3298.95 (3291.39) Low 3272.75 (3269.23) (Actual)

STANDARD AND POOR'S

	Dec 4	Dec 3	Dec 2	Dec 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	432.06	429.91	429.89	430.78	432.06 (4/12)	394.50 (8/4)	432.06 (4/12/92)	4.40 (1/6/32)
Industrials	507.00	504.39	504.59	505.45	507.00 (4/12)	470.91 (8/4)	507.00 (4/12/92)	3.62 (21/6/32)
Financial	39.35	39.07	38.96	39.08	39.35 (4/12)	32.40 (8/4)	39.35 (4/12/92)	8.64 (1/10/74)
NYSE Composite	237.77	236.76	236.74	237.20	237.77 (4/12)	217.92 (8/4)	237.77 (4/12/92)	4.46 (25/4/42)
Amex Mkt. Value	394.95	393.68	392.56	392.97	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	661.60	656.36	652.91	653.95	661.60 (4/12)	547.24 (26/6)	661.60 (4/12/92)	54.87 (31/10/72)

	Nov 27	Nov 20	Nov 13	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.19	3.17	3.15

	Dec 2	Nov 25	Nov 18	year ago (approx.)
S & P Industrial div. yield	2.61	2.62	2.65	2.80
S & P Indl. P/E ratio	26.71	26.63	27.71	22.79

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
TycoToys	6,458,900	12¾	- 1⅛
Gen Motors	4,618,700	33¾	+ 1⅛
Glaxo	4,502,000	25½	- ¼
Chrysler	2,908,800	31⅝	+ 1¼
Home Shop	2,657,700	6¼	+ ⅛
RJR Nabisco	2,627,800	9	...
Varity	2,143,900	24⅛	+ 2⅛
East Kodak	2,019,800	41¼	+ ⅞
Caremark	1,845,000	14¼	- ¼
Nationsbank	1,750,500	50¾	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Dec 4	Dec 3	Dec 2
New York SE	227.410	237.990	241.860
Amex	14.655	16.407	19.812
NASDAQ	(u)	239.035	243.181
NYSE			
Issues Traded	2,404	2,393	2,380
Rises	991	912	858
Falls	759	872	936
Unchanged	654	609	586
New Highs	115	81	94
New Lows	17	20	17

CANADA

TORONTO	Dec 4	Dec 3	Dec 2	Dec 1	1992 HIGH	1992 LOW
Metals & Minerals	2759.39	2747.71	2777.06	2753.87	3238.87 (16/1)	2529.91 (17/11)
Composite	3289.40	3264.90	3265.25	3273.70	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1736.59	1726.36	1726.06	1728.76	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Dec 4	Dec 3	Dec 2	Dec 1	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1435.2	1433.8	1438.5	1444.3	1684.50 (22/5)	1357.20 (16/11)
All Mining (1/1/80)	559.8	557.8	561.4	565.2	726.80 (3/7)	545.40 (16/11)
AUSTRIA						
Credit Aktien (30/12/84)	310.42	309.59	312.72	312.45	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	754.31	751.54	759.91	760.10	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1129.15	1127.22	1116.16	1126.28	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	263.56	264.09	262.78	260.36	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	856.9	843.8	846.9	860.7	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	474.82	475.16	470.64	468.66	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1781.68	1799.43	1783.33	1792.29	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	602.21	602.82	606.77	605.47	725.36 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1702.70	1704.3	1717.30	1714.00	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1522.16	1532.5	1533.96	1544.89	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5268.10	4978.21	5411.65	5501.71	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1188.92	1194.36	1197.67	1204.81	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	423.55	426.46	433.26	441.77	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	835.0	840.0	853.0	871.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17295.69	17260.08	17393.68	17313.04	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1302.85	1304.08	1308.31	1304.08	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1680.14	1677.76	1673.70	1662.99	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	637.61	636.40	641.51	637.23	660.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	291.2	290.6	288.9	289.5	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	196.0	195.6	194.4	194.9	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	667.06	670.13	666.50	654.22	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	1279.54	1273.40	1266.48	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	379.37	379.85	383.11	383.47	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	886.0♦	905.0	863.0	865.0	1327.00 (21/1)	746.00 (10/11)
JSE Industrial (28/9/78)	4268.0♦	4258.0	4229.0	4194.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	635.28	638.93	650.20	659.93	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	211.67	211.40	209.33	212.01	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	864.4	882.6	885.20	896.1	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	865.9	862.0	858.7	862.3	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	643.9	641.0	639.5	640.7	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3651.39	3614.08	3635.70	3646.76	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	860.33	868.59	874.75	861.33	963.03 (5/11)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	492.9	492.7	493.4	492.5	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	851.97	855.90	853.68	860.18	976.55 (25/5)	772.52 (5/10)

**Saturday November 28: Taiwan Weighted Price 3,686.14, Korea Comp Ex. 652.94
♦ Subject to official recalculation. † Correction
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable

TOKYO - Most Active Stocks

Friday, December 4, 1992

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.4m	296	+2
Morinaga Milk	2.6m	691	-9
Mitsumi Elec	2.5m	1,050	-10
NKK	2.4m	256	+4
Meitan	2.2m	2,600	+10
Komatsu	2.0m	683	+14
Nippon Carbon	1.9m	503	-10
Nippon Jutaku	1.7m	303	+3
Mitsui Co	1.6m	595	-4
Kurimoto	1.5m	1,290	-40

[redacted]T MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline. Call 0891 43 - the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Grs | City-line

AIB Unit Trust Managers Limited (1000)F

AXA Equity & Law Unit Tst Mngrs (1200)H

Abbey Unit Tst Mngrs (1000)H

Aberforth Unit Trust Managers Ltd (1400)F

Abtrust Unit Trust Managers Ltd (1200)H

Acorn Unit Trust Managers Ltd (1100)F

Acuma Fund Managers Ltd (1400)F

AEGON Unit Trusts Ltd (1400)F

AEtna Unit Trusts Ltd (1600)F

Allchurches Inv Mgmt Servs Ltd (1200)H

Allied Dunbar Unit Tsts PLC (1200)F

Arkwright Management (1000)F

B & C E Unit Trust Mngmt Ltd (1000)H

BSI-Thornhill Unit Trust Mgrs Ltd (1200)H

Baillie Gifford & Co Ltd (1400)H

Bank of Ireland Fund Mgrs Ltd (1400)F

Barclays Unicorn Ltd (1200)H

Baring Fund Managers Ltd (1200)H

Blackstone Franks UT Mngrs Ltd (0900)F

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F

Britannia Life Unit Managers Ltd (1200)F

190 West George St, Glasgow G2 2PA 041-332 3132

Brown Shipley & Co Ltd (1000)F

Brycourt Unit Tst Mgmt Ltd (1400)F

Buckmaster Managmt Co Ltd (1200)H

Burrage Unit Tst Mangmt Ltd (0900)F

CIS Unit Managers Ltd (1000)F

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mngt Ltd (1200)F

Cannon Fund Managers Ltd (1200)H

Capel-Cure Myers UT Mngt Ltd (1200)F

James Capel Unit Tst Mngt Ltd (1400)F

Capital House Unit Tst Mgrs Ltd (1200)F

Cazenove Unit Trust Mngmt Ltd (1600)F

Century Unit Trusts Ltd (1400)F

Chartered Asset Mngmt Ltd (1700)F

City Financial Unit Trust Mngrs Ltd (1100)F

City of London Unit Tst Mgrs Ltd (1200)F

Colonial Mutual Unit Tst Mgrs Ltd (1200)F

Commercial Union Tst Mgrs (1200)F

Confederation Funds Mngt Ltd (1200)F

Lytton Way, Stevenage, Herts SG1 2NU 0438 744040

Consistent Unit Tst Mngt Co Ltd (1200)F

Co-op Pension Fds UT Mgrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Dimensional Tst Mangmt Ltd (0900)F

Discretionary Unit Fund Mngrs (1200)H

Dunedin Unit Tst Mngrs Ltd (1400)H

Eagle Star Unit Mngrs Ltd (1000)F

Edinburgh Unit Tst Mngrs Ltd (1400)H

Elcon Ltd (1000)F

Endurance Fund Management Ltd (0905)F

Equitable Unit Trust Managers Ltd (1600)F

Exeter Fund Managers Ltd (1400)F

Family Investment Mngmt Ltd (1000)F

Fidelity Investment Servs Ltd (1200)F

Fleming Private Fund Mngt Ltd (1200)F

Foreign & Colonial Unit Mngmt (1200)F

Fowler & Braithwaite Fd Mngt Ltd (1100)F

Framlington Unit Mngt Ltd (1200)F

Friends Provident Unit Trusts (1000)F

GA Unit Trust Mngrs Ltd (1200)H

GT Unit Managers Ltd (1200)H

Gartmore Fund Managers (1200)F

Gartmore House, 16-18 Monument Street London EC3R 8AJ 071-782 2000

Dealing only 0277-264421

Investor Services Freephone 0800-289 336

Glenfriars Unit Trust Mgrs Ltd (0905)F

Global Asset Management (1200)F

Govett (John) Unit Mgmt Ltd (1000)F

Granville Unit Tst Mngmt Ltd (0659)F

Guardian Royal Ex Unit Mgrs Ltd (1000)F

Guinness Flight Unit Mgrs Ltd (2400)F

Halifax Standard Tst Mngmt Ltd (0730)F

Hambro General Fund Mgrs Ltd (1000)F

Hambros Unit Trust Managers Ltd (1000)F

Henderson Unit Trust Mgmt Ltd (1200)F

Hill Samuel Unit Tst Mgrs Ltd (1200)F

INVESCO MIM UT Mngrs Ltd (1200)F

INVESCO MIM UT Mngrs Ltd -Contd.

Kleinwort Benson Unit Trusts (1400)F

Knight Williams Portfolio Mngt (1000)F

LAS Unit Tst Mngrs Ltd (1000)H

L & C Unit Tst Mngmt Ltd (0905)F

Laurentian Unit Tst Mngt Ltd (1200)F

Lazard Unit Tst Mngrs Ltd (1200)F

Legal & General (U.T. Mgrs) Ltd (1200)F

Lloyds Bk Unit Tst Mngrs Ltd (1200)F

London & Manchester Tst Mgmt (1000)H

M & G Securities (0915)F

MGM Unit Managers Ltd (1000)F

MGM House, Heene Rd, Worthing

Dealing: 0277 261010 Enq 0903 204631

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Grs	City-line
High Income	5	233.8	237.4xd	252.7	5.66	40087
(Accum Units)	5	398.4	404.8	430.6	5.66	40918
UK Growth	5	302.1	304.4xd	323.8	3.23	40888
(Accum Units)	5	376.2	379.1	403.2	3.23	40919
Int Equity Gth &	5	53.13	53.28xd	56.68	1.15	40889
Intl Bond	5	62.05	62.05xd	65.71	6.16	40890
Special Sits Gwth	5	15.32	15.73	16.73	2.92	40891
North American Gwth	5	83.95	84.24	89.61	0.92	40892
European Growth &	6	53.77	54.05xd	57.49	1.06	40004

MW Investment Managers Ltd (0659)F

Maldon Unit Trust Managers Ltd (1400)F

Manulife Management Ltd (1200)F

Marks & Spencer Unit Trust Ltd (1200)F

Marlborough Fund Managers Ltd (1630)F

Martin Currie Unit Trusts Ltd (0905)H

Mercury Fund Managers Ltd (1000)H

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F

Metropolitan Unit Trust Mngrs Ltd (1000)F

Midland Unit Trusts Ltd (1200)F

Millennium Fund Management Ltd (1000)F

Morgan Grenfell Invest Fds Ltd (1000)H

Murray Johnstone UT Mgmt (1000)H

NFU Mutual Unit Mgrs Ltd (1400)F

NM Unit Trust Mngrs (1200)F

N&P Unit Trust Management Ltd (1200)F

National Provident Inv Mgrs Ltd (1400)H

Newton Fund Mngrs Ltd (1200)H

Norwich Union Tst Managers (1200)H

Pearl Unit Trusts Ltd (1000)F

Pembroke Administration Ltd (1630)F

Perpetual Unit Tst Mngmt (1200)F

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F

Phillips & Drew Unit Managers Ltd (1400)F

Pilgrim Unit Trust Mngmt Ltd (0830)F

Portfolio Trust Mngrs Ltd (0900)F

Premium Life Unit Tst Mngrs Ltd (1400)F

Principal Unit Trust Mngmt Ltd (1600)F

Prolific Unit Tst Mngrs Ltd (1100)F

Prosperity Unit Trust Mngrs Ltd (0905)H

Providence Capital Fd Mgrs Ltd (1000)H

Provident Mutual Unit Tst Mgrs Ltd (0905)H

Prudential Unit Trusts Ltd (1200)F

Reliance Unit Mgrs. Ltd (1000)H

Rock Asset Mgmt (Unit Trust) Ltd (0905)F

Rothschild Fund Management (1000)F

Royal Life Fd Mngt Ltd (1000)H

Royal London Unit Tst Mgrs Ltd (1200)F

St James's Place UT Group Ltd (1200)F

Sanwa Intl Invest Services Ltd (0830)F

Save & Prosper Group (0900)H

Schroder Unit Trusts Ltd (1400)F

Scottish Amicable UT Tst Mgrs Ltd (0730)H

Scottish Equitable Fd Mgrs Ltd (1000)H

Scottish Life Investments (1200)F

Scottish Mutual Inv Mgrs Ltd (1000)H

Scottish Provident Inv Mgt Ltd (1000)F

Scottish Widows' Fund Mngmt (0800)H

Sender Caden Fund Mngt Ltd (1200)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING. The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	115.50	115.80	121.90	5.68	47434
Pooled Pension 4	3¼	140.7	145.3	150.4	–	47237
Smaller Cos	5	50.96	52.77	55.55	2.70	46203
UK General	5	111.70	113.30	119.30	3.52	–
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	360.90	360.90	382.55	5.39	40913
Global Inc	5	50.87	50.87	53.92	4.51	40916
Brit Leaders	5	305.37	305.37	323.69	3.15	40914
Intl Leaders	5	162.32	162.32	172.06	1.90	40915
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45.65	45.78	48.70	1.62	42402
Far Eastern Tst	6	49.91	50.53	53.75	0.92	–
Smaller Cos	5	113.1	117.5	125.0	2.95	47431
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	259.1	259.6	274.6	0.93	41390
S & W Capital	5	105.8	105.8	113.3	1.68	40181
S & W Cash	0	101.38	101.38	101.38	6.83	47903
S & W European	5	103.2	103.4	109.4	1.23	40253
S & W Far Eastern	5	103.4	104.3	110.3	0.23	40974
S & W Growth	5	113.7	115.1	121.7	1.45	41391
S & W Income	5	99.71	101.1	106.9	5.48	41392
S & W Magnum	5	111.7	111.7	119.8	1.83	47800
S & W Smllr Secs	5	248.0	253.8	268.5	0.77	41393
S & W Thoroughbred	5	128.8	128.8	138.1	1.89	40263
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	74.23	74.23	79.39	0	41525
Eur Sp Sits Acc	5¼	39.76	39.76	42.49	0	41526
Eur Sp Sits Inc	5¼	37.55	37.55	40.09	0	41527
Far East Opps Inc	5¼	25.27	25.27	27.25	0	41660
Far East Opps Acc	5¼	25.96	25.96	27.98	0	41665
General Growth	5¼	90.01	90.01	96.50	3.12	41528
General Growth Acc	5¼	91.52	91.52	98.12	3.10	47438
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	85.36	85.36	87.35	0.00	41596
Short Dtd Gilt	1½	106.3	106.3	107.7	7.93	42597
Gilt Income	4	51.27	51.27	53.35	8.68	47010
Gilt Growth	4	62.90	62.90	65.47	0.00	47009
City Reserve	0	55.25	55.25	55.26	7.88	47006
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	60.99	61.26	65.16	2.55	45998

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Baillie Gifford & Co Ltd				
Int'l Expt Nov 30	657.4	680.8	1.02	40105
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	50.70	52.94	4.7	–
Income Plus	48.25	49.21	7.5	–
James Capel Fund Managers Ltd				
Managed Exempt	131.39	128.37	4.20	43128
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Nov 30	559.95	565.60	5.27	40251
Fxd Int Sec Nov 30	149.10	149.85	9.68	40252
Deposit Fund: See Money Market Trust Funds				
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	171.2	173.2	9.47	40254
Charinco Acc	1003	1015	9.47	40255
Charishare Inc	175.9	179.7	4.45	40256

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
Legal & General – Contd.				
Exempt Inv. Initial	206.6	217.5	–	42759
Do. Accum	308.5	324.8	–	42760
Exempt Mngd. Init	646.5	680.6	–	42761
Do. Accum	1075.9	1132.6	–	42762
Exempt N. Amer. Init	215.7	227.1	–	42763
Do. Accum	276.1	290.7	–	42764
Exempt Prop. Init	272.2	286.6	–	42765
Do. Accum	453.0	476.9	–	42766
Ex. Deposit Init	230.0	242.2	–	42767
Do. Accum	339.8	357.7	–	42768
Index Fund Init	114.4	120.5	–	42769
Midland Life Limited				
Norwich Hse, Commercial Rd, Southampton 0703 229929				
GCS 27 Nov 92	93.1	93.1	–	46097
Adventurous Fd	60.5	63.7	–	46098
Balanced Fd	70.1	73.8	–	46099
Defensive Fd	71.0	74.8	–	46100
Secure Fd	68.6	72.3	–	46101
UK Equity Fd	77.9	82.1	–	46102
International Fd	61.5	64.8	–	46103
Money Market Fd	69.6	73.3	–	46104
Fixed Interest Fd	68.1	71.7	–	46105

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline. Call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd.	618.0	657.5	-	43315
Adventurous Mngd.	147.1	156.5	-	46402
Cautious Mngd.	119.4	127.1	-	46403
Cash Fd.	314.4	331.4	-	43316
Property Fund.	217.5	231.4	-	43317
Equity Fund.	702.3	747.2	-	43318
Fxd. Int. Fund.	392.9	414.1	-	43319
International	323.4	333.5	-	43320
High Income	542.6	577.3	-	43321
Far East	407.3	433.4	-	43322
North American	415.1	441.7	-	43323
Special Sits.	498.1	529.9	-	43324
Technology	413.7	440.2	-	43325
Extra Inc Fd	298.3	317.4	-	43326
Convertible & Gilt Fd	143.4	152.6	-	43327
American Income	165.5	176.1	-	43328
Gilt Fund 20	433.2	460.9	-	43329
European Fund	111.8	119.0	-	43330
Pref & Fixed Int.	107.6	114.5	-	46332
UK Blue Chip	113.0	119.1	-	47044
Recovery Fund	103.9	109.5	-	47056
Equity Income Dist	100.2	106.7	5.02	47816
Managed Dist.	95.2	101.9	5.34	47817
High Yield Dist	99.5	104.9	7.48	44422
Pension Funds				
Balncd Gth Mgd Pens Acc	715.7	759.4	-	43331
Adventurous Mgd Pens Acc	153.0	162.1	-	46404
Cautious Mngd Pens Acc	137.1	144.4	-	46405
Building Soc. Acc.	361.9	381.0	-	43332
Property Pens. Acc	295.3	310.9	-	43333
Fix. Int. Pens Acc	620.3	653.0	-	43334
Equity Pens. Acc	896.8	944.1	-	43335
International Pens Acc	288.2	303.4	-	43336
High Inc Pens Acc	610.5	642.7	-	43337
Tech Pens Acc	292.0	307.4	-	43338
N American Pens Acc	312.1	[illegible]	-	[illegible]

Target International Group

Guinness Flight Fd Mngrs (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Optimism for DM

TOUGH talking out of the Bundesbank is expected to offer some support to the D-Mark this week.

After a depressing end to last week for the German currency, the Bundesbank may set new parameters for the D-Mark at its central council meeting on Thursday. Some analysts believe that the German central bank could widen its targets for M3 monetary growth next year from this year's 3.5-5.5 per cent range to a band of 3-5 per cent.

UK clearing bank base lending rate 7 per cent from November 13, 1992

Most analysts are agreed that the Bundesbank will not announce an interest rate cut. The German central bank is likely to stand firm, despite last week's signs of an accelerating German economic downturn and evidence of an easing of inflationary pressures on the wages front in Germany.

The dollar, meanwhile, is expected to maintain a robust tone following last Friday's better-than-expected employment data from the US.

"The figures are consistent with a steady recovery in the US and should keep the dollar well underpinned this month," said Mr Gerard Lyons, chief economist at DKB International in London.

Other analysts warned against expecting that last Friday's 1.65 cent gain against the D-Mark presaged a particularly strong performance for the dollar ahead of Christmas.

"I'm not sure this is the start of a big improvement," said Mr David Cocker, treasury adviser at Chemical Bank. After Christmas, he said, investors were more likely to allocate their cash for 1993 and the US currency might then profit further.

Sterling is not expected to perform quite as strongly as last week. Many analysts were beginning to feel that the currency's heady rise last week – almost 8 pfennings against the D-Mark in five days – had been somewhat overdone.

£ IN NEW YORK

Dec.4	Close	Previous Close
£ Spot	1.5600-1.5610	1.5635 1.5645
1 month	0.43-0.41pm	0.42 0.40pm
3 months	1.27-1.24pm	1.26 1.24pm
12 months	3.75-3.65pm	3.62 3.54pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

OTHER CURRENCIES

Dec 4	£	$
Argentina	1.5560 - 1.5580	0.9905 - 0.9915
Australia	2.2505 - 2.2525	1.4430 - 1.4440
Brazil	16251.0 - 16253.0	10341.0 - 10341.5
Finland	7.9485 - 7.9545	5.0900 - 5.0920
Greece	324.050 - 330.580	204.980 - 209.080
Hong Kong	12.0800 - 12.0960	7.7435 - 7.7445
Iran	2190.00*	1450.00*
Korea(Sth)	1217.40 - 1237.00	782.30 - 788.50
Kuwait	0.47035 - 0.47115	0.29940 - 0.29980
Luxembourg	51.05 - 51.15	32.75 - 32.85

CURRENCY RATES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5560 - 1.5835	1.5570 - 1.5580	0.43-0.41cpm	3.24	1.25-1.22pm	3.17
Canada	1.9900 - 2.0175	1.9915 - 1.9925	0.15-0.27cdis	-1.27	0.24-0.53dis	-0.77
Netherlands	2.7875 - 2.8100	2.7875 - 2.7975	¼-½cdis	-1.88	1¼-1¾dis	-1.88
Belgium	50.75 - 51.50	51.05 - 51.15	6-10cdis	-1.88	20-26dis	-1.80
Denmark	9.5900 - 9.6975	9.6275 - 9.6375	11-16oredis	-16.82	22-25dis	-9.76
Ireland	0.9390 - 0.9470	0.9420 - 0.9430	3.00-1.25cpm	27.06	5.00-1.75pm	14.32
Germany	2.4775 - 2.5000	2.4850 - 2.4900	¼-½pfdis	-2.11	1¼-1¾dis	-1.91
Portugal	220.00 - 223.25	220.25 - 221.25	365-750cdis	-30.31	547-975dis	-13.79
Spain	178.05 - 181.00	178.15 - 178.45	136-153cdis	-9.73	363-396dis	-8.51
Italy	2173.50 - 2198.00	2180.75 - 2181.75	14-16liredis	-8.25	37-42dis	-7.24
Norway	10.1100 - 10.2050	10.1300 - 10.1400	12¼-20oredis	-24.12	19½-35dis	-10.78
France	8.4250 - 8.4900	8.4400 - 8.4500	2¼-2¾cdis	-3.46	7-7¾dis	-3.49
Sweden	10.5600 - 10.6725	10.6175 - 10.6275	3¼-3¾oredis	-4.02	9¼-9¾dis	-3.60
Japan	194.50 - 197.25	194.00 - 195.00	¾-½ypm	3.86	1½-1¼pm	3.34
Austria	17.38 - 17.56	17.45 - 17.48	2¼-3¼grodis	-1.89	5¾-7¼dis	-1.56
Switzerland	2.2125 - 2.2375	2.2275 - 2.2375	¼-parcpm	0.34	½-¼pm	0.56
Ecu	1.2600 - 1.2705	1.2625 - 1.2635	0.45-0.53cdis	-4.66	1.22-1.34dis	-4.05

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.26-2.21pm. 12 Month 3.62-3.52pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5560 - 1.5835	1.5570 - 1.5580	0.43-0.41cpm	3.24	1.25-1.22pm	3.17
Ireland†	1.6535 - 1.6740	1.6555 - 1.6565	5.00-2.50cpm	27.17	10.00-4.00pm	16.92
Canada	1.2725 - 1.2800	1.2765 - 1.2775	0.45-0.50cdis	-4.46	1.18-1.33dis	-3.93
Netherlands	1.7700 - 1.7950	1.7930 - 1.7940	0.74-0.78cdis	-5.09	2.19-2.25dis	-4.95
Belgium	32.45 - 32.90	32.75 - 32.85	13.00-14.50cdis	-5.03	39.00-42.00dis	-4.94
Denmark	6.1075 - 6.2050	6.1825 - 6.1875	5.00-12.00oredis	-16.49	15.00-23.00dis	-12.29
Germany	1.5755 - 1.5985	1.5965 - 1.5975	0.68-0.69pfdis	-5.15	2.00-2.02dis	-5.03
Portugal	140.25 - 142.00	141.65 - 141.75	180-280cdis	-19.48	475-650dis	-15.88
Spain	113.40 - 114.55	114.35 - 114.45	120-135cdis	-13.37	320-355dis	-11.80
Italy	1382.00 - 1401.00	1400.25 - 1400.75	12.50-14.00liredis	-11.35	35.00-37.50dis	-10.35
Norway	6.4350 - 6.5100	6.5050 - 6.5100	15.00-35.00oredis	-46.10	21.00-41.00dis	-19.05
France	5.3525 - 5.4275	5.4200 - 5.4250	2.85-3.15cdis	-6.64	8.75-9.15dis	-6.60
Sweden	6.7300 - 6.8550	6.8175 - 6.8225	4.20-5.00oredis	-8.09	11.20-13.00dis	-7.10
Japan	124.40 - 124.95	124.80 - 124.90	0.05-0.03ypm	0.38	0.06-0.04pm	0.16
Austria	11.0950 - 11.2250	11.2125 - 11.2175	4.80-5.20grodis	-5.35	12.90-14.00dis	-4.80
Switzerland	1.4060 - 1.4355	1.4330 - 1.4340	0.28-0.29cdis	-2.39	0.88-0.90dis	-2.48
Ecu	1.2325 - 1.2460	1.2330 - 1.2340	0.84-0.79cpm	7.93	2.25-2.18pm	7.18

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Dec.4	£	$	DM	Yen	F Fr.	S Fr.	N FL.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.557	2.487	194.5	8.445	2.232	2.792	2181	1.992	51.10	178.3	1.263
$	0.642	1	1.597	124.9	5.424	1.434	1.793	1401	1.279	32.82	114.5	0.811
DM	0.402	0.626	1	78.21	3.396	0.897	1.123	877.0	0.801	20.55	71.69	0.508
YEN	5.141	8.005	12.79	1000.	43.42	11.48	14.35	11213	10.24	262.7	916.7	6.494

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

● Brown Shipley	7	● Hill Samuel	7	● United Bk of Kuwait	8
CL Bank Nederland	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
Citibank NA	7	Hongkong & Shanghai	7	Western Trust	7
City Merchants Bank	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
Clydesdale Bank	7	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Co-operative Bank	7	Lloyds Bank	7		
Coutts & Co	7	Meghraj Bank Ltd	7		

● Members of British Merchant Banking & Securities Houses Association.

STOCK INDICES

	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 27	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2759.4	2771.0	2764.1	2782.0	2778.8	2760.1	2792.0	2281.0	2792.0	986.9
FT-SE Mid 250	2651.2	2654.9	2650.8	2644.5	2637.5	2627.6	2825.0	2157.8	2825.0	1379.4
FT-SE-A 350	1334.6	1338.4	1335.4	1345.5	1339.7	1331.5	1345.5	1103.1	1345.5	664.5
FT-A All-Share	1308.63	1312.13	1309.32	1318.76	1313.02	1305.22	1326.36	1086.13	1326.36	61.92
FT-SE Eurotrack 100	1052.78	1055.11	1052.11	1056.79	1057.75	1049.92	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1153.53	1136.09	1130.96	1135.62	1132.14	1122.37	1246.79	1010.09	1246.79	938.62
FT Ordinary	2082.4	2091.7	2097.8	2106.5	2095.9	2077.4	2149.7	1670.8	2149.7	49.4
FT Government Secs.	93.63	93.26	92.81	92.90	92.56	93.44	95.54	85.11	127.40	49.18
FT Fixed Interest	108.37	108.06	108.04	107.92	108.01	108.38	110.26	97.15	110.26	50.53
FT Gold Mines	71.6	71.4	70.1	71.1	70.4	68.8	160.8	63.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	19½xd	-4.6	60c	FeMyAuNv	9.10	1503
Allegheny & W	♥	424p	1.7	38c	-	-	-
Amdahl		447p	-13.7	10c	MrMaJeAu	31.1	-
Amer Cyanamid		37⅞	-.7	$1.65	MrJeSeDe	4.3	-
Amer Express		14⅝xd	-3.7	$1.00	FeMyAuNv	28.9	1594
Amer T & T		28⅞xd	-4.6	$1.32	FeMyAuNv	28.9	1597
Ameritech		43¼	-3.1	$3.52	FeMyAuNv	28.3	-
BankAmerica		29¾xd	1.0	$1.36	FaJeSeDe	16.11	1744
Bankers NY		46⅞xd	-4.4	$2.88	ApJyOcJa	24.9	1745
Bell Atlantic		30¾	-4.0	$2.60	FeMyAuNv	4.7	-
BellSouth		31⅛	-4.0	$2.76	FeMyAuNv	5.4	-
Bethlehem Steel	♥	9⅛xd	-8.9	-	MrJeSeDe	6.2	1821
Bowater		1500pxd	-9.5	$1.20	OcJaApJy	9.3	1854
CPC	h	29¼xd	0.6	$1.28	JeApJyOc	28.9	2283
Cadiz Land Inc	♥	115p	-10.9	-	†	-	-
California Engy		1028p	6.2	-	-	-	-
Chase Manhattan		16⅞xd	-4.3	$1.20	FeMyAuNv	26.10	2106
Chrysler		19⅝xd	0.3	60c	ApJyOcJa	9.9	2135
Citicorp		11¼xd	-4.1	-	-	23.10	2141
Colgate-Palm		37⅛xd	-5.7	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1277p	0.2	80c	DeMrJeSe	31.5	-
Dana		28⅞	1.4	$1.60	MrJeSeDe	26.11	2308
Data General		780p	6.2	-	-	-	-
Decora Inds	♥	146p	-	-	†	-	-
Dun & Brad		36⅝	-3.0	$2.25	MrJeSeDe	13.2	-
Eaton		47⅝	-1.8	$2.20	FeMyAuNv	2.2	2410
Echlin		13⅞xd	-1.9	70c	JaApJyOc	30.9	3946
FPL		22⅞	-3.7	$2.44	MrJeSeDe	25.8	-
Fluor		27xd	-10.0	48c	JaApJyOc	24.9	2509
Ford Motor		26⅛xd	-1.4	$1.60	MrJeSeDe	27.10	2516
Gen Elect		51⅜xd	-5.2	$2.52	JaApJyOc	2.12	2575
General Host	♥	565p	6.5	34c	†	13.12	-
Gillette		37⅛xd	-2.1	72c	MrJeSeDe	26.10	2685
Hasbro		22⅞	-.5	28c	JaApJyNv	1.8	-
Honeywell		42⅛xd	-3.1	$1.76	MrJeSeDe	23.11	2919
Houston Inds		29⅞	-8.4	$3.00	MrJeSeDe	10.11	-
IBM		42⅞xd	-2.2	$4.84	MrJeSeDe	6.11	2986
Ingersoll-Rand		18¾xd	-3.7	70c	MrJeSeDe	13.11	2979

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+/-	Div net	Div cov	Dividends paid		Last xd	City line
[illegible]									
Glencar Expl IE		8		-	-	-		-	-
Greenwich Res		5¼		-	-	-		-	2773
Hecla Gold C$		14		020c	-	Dec	Jun	8.11	-
Ivernia West IE		39		-	-	-		-	-
Kells Minls IE		13		-	-	-		-	3741
Kenmare		3¾		-	-	-		-	1453
McEgga Res		13½	2.0	-	-	-		-	-
Nacan Res IE		33	-1.5	-	-	-		-	1106
Orpa Gold		48¼	-3.1	-	-	-		-	3606
Plateau		38		-	-	-		-	3407
RTZ		651	5.2	19.5	1.5	Dec	Jul	21.9	3080
Vizcaya		1¼		-	-	-		-	4103
Western & Pac C$		21½		-	-	-		-	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¤ Price at time of suspension
- ¶ Indicates dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicates dividend cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment. Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Service: Adds: **Linx Prntg Techs** (Electronics), **Beta Global Emrg Mkts C** (Inv Trusts), **Dorling Kindersley** (Pckg & Prntg) and **Paragon Res** (Mines). Deletes: **Harland Simon** (Electronics), **FBD** (Ins Comp), **Trimoco & Do 11½pc Ln '96** (Mtrs), **Tomkins 8.6pc Prf** (Other Indl Mtls), **Kleeneze** (Pckg & Prntg), **Mountleigh & Do 5¼pc Prf** (Props) & **Cantors A** (Stores).

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4 pm close December 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅝	11	AAR Corp	0.48	4.0	19	176	12	11⅞	12	
26½	16	A L Labs A	0.18	0.8	14	11408	23⅛	22½	22⅝	-⅛
68¾	52⅝	AMP Inc	1.52	2.7	21	1127	57⅛	56¼	56⅞	
80¼	54⅞	AMR				133405	65⅞	64¼	65¼	-½
2⅞	1⅛	ARX			11	4	1⅛	1⅛	1⅛	
83½	30½	ASA	2.00	5.9	22	197	34⅛	33⅝	33⅞	
34¼	26⅛	Abbott Lab	0.60	1.9	21	5211	31¼	30⅞	31	+¼
13⅞	10⅛	Abitibi Pr	0.40	3.7	5	38	10⅞	10⅞	10⅞	-⅛
11⅝	10⅛	ACM Gvt In	0.94	8.5		380	11	10⅞	11	+⅛
10⅞	9⅛	ACM GvOpp	0.73	7.8		44	9⅜	9⅜	9⅜	-⅛
9¼	8½	ACM Gvt Sp x	0.91	10.3		251	9	8⅞	8⅞	
11⅛	9⅞	ACM Gvt Sp x	1.01	9.9		578	10¼	10⅛	10¼	+⅛
10⅝	8⅝	ACM Man	0.96	9.5		69	10⅛	10	10⅛	+⅛
12⅞	8¾	ACM Managd	0.78	8.9		705	8⅞	d8⅝	8¾	
11¾	4¾	Acme Cleve	0.40	4.8	15	69	8⅝	8	8⅛	-⅛
6¼	3¼	Acme Elect			100	106	5	4¾	5	+⅛
33¼	14⅞	Acuson			12	786	17⅛	16⅝	16¾	+¼
21	18⅛	Adams Expr	1.62	8.2	1	15	19⅞	19⅝	19⅝	
49⅛	29½	Ad Micro x	3.00	7.0		634	43¼	42⅛	43	+⅝
21½	7½	Ad Micro P	3.00	17.9	6	1066	16⅞	16¼	16¾	+⅝
9⅛	4⅞	Advest Grp	0.16	2.6	13	200	6½	6¼	6¼	
42¾	33	Aegon ADR	1.35	3.3	7	2	40⅝	40⅛	40⅝	+⅛
47½	38	Aetna Lf	2.76	5.8	14	3711	u48⅛	47	47⅞	+⅝
12¾	6⅛	Affil A	0.24	2.1	18	1019	11⅝	11⅝	11⅝	+⅛
34	24	Aflac	0.44	1.4	14	1015	32	31⅛	32	+⅛
19⅞	13	Ahmanson	0.88	5.2	8	1564	17	16⅝	17	+⅛
[illegible]										

Samsung Notebook PC: Notemaster 386 S/25

AMD 80386SXL-25MHz Microprocessor
Removable 2.5" HDD

SAMSUNG Electronics
Technology that works for life.

Continued on next page

هكذا امن الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅜	13	Salomon Br	1.00	7.3		831	13⅞	13⅝	13⅝	-¼
38¼	26¾	Salomonlnc	0.64	1.7	13	678	37⅝	37⅛	37½	+⅛
26	21¼	SalDp S&E x	1.44	6.3	13	885	22⅞	22⅞	22⅞	+1/16
4⅝	2⅛	SantaFeEDu	0.40	10.3	64	53	4	3⅞	3⅞	-⅛
9⅜	7	SantaFeERs	0.18	2.0	787	718	8¼	7⅞	7⅞	-⅛
39¾	30¾	SantaFePac	2.80	7.6	13	37	37⅛	37	37	-¼
14⅛	10⅝	SantaFeSm	0.10	0.7	33	4208	13⅝	13⅛	13½	
61⅜	40⅝	Sara Lee	1.18	1.8	23	1265	u61⅛	60⅞	61	+¼
44¼	38⅝	Scana Corp x	2.68	6.8	13	697	39¾	39⅛	39⅜	+1/16
47⅝	40¼	Scecorp	2.80	6.4	13	1318	43½	43¼	43½	+⅛
34⅛	22⅛	ScharerRP				104 979	u35⅞	34⅜	34⅝	+½
68	48⅞	SheringPl	1.66	2.3	19	2239	67	66½	66¾	-¼
70⅝	52¾	Sch'berger	1.20	2.0	17	6223	60½	59⅞	60¼	+½
37¾	16⅝	Schwab(C)	0.24	0.9	14	1404	27½	26½	26¾	-½
10⅛	4½	Schwitzer				54	14	6	5⅞	6
37¼	15¼	SciAtlAm x	0.18	0.5	43	1643	u38¼	35⅞	38¼	+2
10⅝	7⅛	Scotman	0.10	1.1	79	33	9⅞	9½	9½	
48	34½	ScottPaper	0.80	2.1	76	825	37½	37¼	37⅜	
17½	13½	ScuddrNAsF	0.22	1.5		30	14⅞	14½	14½	-½
9⅛	7⅛	ScuddrNEuF	0.30	3.9		586	8	d7⅝	7¾	-¼
24	13	Sea Contrs	0.45	2.7	10	36	17	16½	16¾	
15¾	14⅞	SeaCl 4625 x	1.48	9.7		3	15¼	15¼	15	-¼
31	25⅛	Seagram Co	0.56	2.1	14	1359	27⅛	26⅞	26¾	+⅛
33⅛	21⅝	Seagull En			83	105	31	30⅝	30⅝	-⅛
28½	20½	Sealed Air			23	68	24⅞	24	24	-⅛
23	12⅛	SPX Corp	0.40	2.1	14	191	19⅝	18⅞	19¼	+⅛
48	37	Sears Roeb x	2.00	4.5	29	8150	45⅛	44⅛	44⅝	+1
13¼	11⅞	Seligm Sel	0.84	6.8		182	12⅜	12⅜	12⅜	
32	22½	Sensormat	0.30	0.9	27	871	u32⅞	31⅞	32⅝	+¼
51	33¼	Sequa A	0.60	1.6	29	10	37	36⅝	37	+½
58	38	Sequa B	0.50	1.2	22	25	42½	41⅛	42½	+1

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57½	43⅞	Tempreent x	0.86	1.6	19	1046	52⅞	52	52¼	-½
25¼	14⅛	TempltEmMk	5.73	40.2		407	14½	d14¼	14¼	+⅛
10⅛	8¼	TempltGlob x	0.78	9.2		204	8½	8⅜	8½	+⅛
9⅝	8½	TempltGlFd	0.84	9.3		1810	9	8⅞	9	+⅛
48	31¼	Tenneco Inc	1.60	4.6		344953	35½	34⅝	35⅛	+⅜
23⅞	19½	Teppco Ptn	2.20	11.0	15	289	20⅛	19¾	20	-⅛
20½	10	Teradyne				201849	15¾	14½	16⅛	+⅛
16½	6⅝	Terex	0.06	0.7	2	856	8⅝	8½	8⅞	+⅜
5⅜	4⅛	Terra Inds			10	688	5⅛	4⅞	5	
6⅞	2½	Tesoro Pet			1	86	3⅝	3⅜	3⅜	-⅛
66⅞	56⅞	Texaco	3.20	5.4		164388	59⅞	59	59⅛	+⅜
64½	57	Texaco C x	3.48	6.6		z100	52½	52½	52⅜	+¼
25¼	19½	Texas Ind	0.20	0.9	45	225	21¼	21	21⅛	
52¼	30	Texas Inst	0.72	1.5	100	32247	49⅝	48⅝	49½	+⅞
23¼	16⅞	Texas Pac	0.40	2.3	32	19	17⅞	17⅞	17⅞	+⅛
43¾	37	Texas Util x	3.04	7.4	12	1871	41⅛	41	41⅛	
10⅜	9⅛	Texb PI	1.10	10.9		5	10⅛	10⅛	10⅛	-⅛
9⅜	4⅞	Texfi Inds	1.10	15.7	7	20	7⅛	7	7	-⅛
43⅝	33⅞	Textron	1.12	2.6	11	813	43⅝	43	43⅛	+⅛
6⅛	4⅛	Thackeray				272100	4⅝	4⅝	4⅝	
11½	7½	Thai Cap	0.25	2.6		58	10⅛	9⅞	9⅞	-⅛
19⅝	13⅛	Thai Fund	2.72	14.7		329	18½	18	18½	+⅜
47½	37½	ThermoElec	0.13	0.3	20	256	44⅝	44⅛	44⅜	-⅜
17⅞	13⅛	Thiokol x	0.40	2.5	5	418	17	16¼	16¼	-⅛
69	54¼	Thomas & B	2.24	3.5	27	449	64¾	64⅜	64⅛	-⅛
14⅛	8⅛	Thomas Ind x	0.40	3.8	70	98	10⅞	10⅝	10⅝	-⅛
19½	13	Thomson Ad	1.38	7.8	7	150	16½	16¼	16⅛	-⅛
21	11⅛	Tidewater	0.15	0.8	61	1626	18	17⅞	17⅞	-⅛
52⅞	23	Tiffany	0.78	1.0	23	732	29⅝	28⅞	29	-⅜
52⅛	45⅛	TimeWrn8 75	4.38	8.8		568	49½	48⅞	49½	+⅝
29¾	21⅛	TimeWner x	0.28	1.0	185687		27⅞	27⅛	27⅜	+⅛

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	68½	Xerox x	3.00	3.8	18	1017	78¼	77½	78	+¼
55	50½	Xerox4 125 x				3	53	53	54	+1
41½	24⅞	Xtra 1.94	1.94	4.8		127	40¾	40½	40½	
57⅝	28½	Xtra Corp	0.80	1.4	17	327	56⅝	56	56⅛	-⅛
30⅝	25¼	Yackee Egy	1.66	6.0	12	156	27⅝	27⅛	27⅝	+¼
1½	½	Zapata			21	251	13/16	¾	¾	-1/16
11⅛	6	ZenithElec			2	752	6⅞	6⅝	6⅝	-¼
19½	14½	Zenith Nat	1.00	6.0	8	299	16¾	16⅝	16¾	
7½	6	Zenix Inc	0.80	12.8		56	6⅝	6½	6½	
13¾	10	Zero Corp	0.40	3.0	20	47	13½	13⅜	13½	+⅛
38	27¼	Zurn Ind	0.88	2.4	42	149	37¼	37	37¼	-⅛
14⅞	12	Zweig Fund	1.12	8.7		264	13	12⅞	12⅞	
11	9½	Zweig Totl	0.96	9.4		710	10¼	10⅛	10¼	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close December 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Acton Cpr		0	7	5⅝	5⅝	5⅝	-⅛
Air Expr	0.14	16	732	26⅛	25¾	26	
Alfin Inc		2	23	1 1/16	1	1	
Alpha Ind		312	29	3⅛	3⅛	3⅛	
Am Isr Pa	0.50	12	10	43	41¼	41¼	
Amdahl A x	0.84	9	36	22¼	22⅛	22⅛	-⅛
Amdahl Cp	0.10	29	12347	7½	7¼	7¼	+¼
Am Expl		4	1794	1⅝	d1¼	1 11/16	
Angel-AmA		11	56	4 13/16	4⅞	4⅞	
ASR Invs	0.80	1	269	3 1/16	3	3	-⅛
Astrotech		12	116	5⅛	5	6⅛	+1¼
Atari		1	242	1⅜	1 5/16	1⅛	+1/16
AtlasCM B		1	133	½	d7/16	½	+1/16
Audiovox A		6	150	u6⅛	5¾	6⅛	+⅜
B&H Ocean	0.55	1	188	3¼	3⅛	3¼	
BaldwnT A	0.04	67	40	4¼	4⅛	4¼	+⅛
Barry RG		10	17	8¾	8⅝	8¼	+⅛
BAT Ind	0.71	17	158	15	14 13/16	15	-⅛
Beard Oil		0	16	⅝	⅝	⅝	+⅛
Bergen Br	0.40	14	672	19⅞	19¼	19⅞	+½
Beta Mas	1.00	44	13	23⅛	22⅞	23⅛	
Bio-Rad A		8	5	17⅞	17¼	17¼	-¼
Blount A	0.45	83	38	10⅛	10	10	-⅛
Bolar Ph		43	1041	9⅛	8¾	9⅛	+⅛
Bow Valley		2	11	8	8	8	
Bowmar		11	37	2⅜	2 5/16	2 5/16	-1/16
Bowne	0.30	9	185	14⅞	14⅝	14¾	
Brascan A	0.87	25	85	11¾	11¼	11⅝	+⅜
Cal Engy		18	703	u16¼	15⅞	16⅛	+⅛
Calprop		0	16	1	⅞	1	+1/16
Can Marc	0.25	8	20	10½	10⅛	10½	+½
Charbrs A	0.01	30	1716	5	4¾	4 13/16	+⅛
Chambers		6	64	5⅛	4¾	4⅞	+⅛
Champion		50	147	8⅛	7⅞	7⅞	-¼
Chiles		0	46	1⅝	1¼	1 5/16	-⅛
Cmrl FdA	0.01		151	3 11/16	d3⅛	3 11/16	+1/16
Cominco	0.30	31	10	14¼	14¼	14⅜	
Compurac		75	50	1½	1⅜	1½	+⅛
Concd FdA		102	5	5	5	5⅛	
CrossAT A	1.28	17	215	20⅛	19¾	19⅞	-½
Crown C A	0.40	8	156	15½	15⅛	15¼	+¼
Crown C B	0.40	10	161	12⅝	12⅛	12½	+⅛
Cubic	0.53	17	71	19½	18¾	19	-¼
Customedix		10	57	3 1/16	2 13/16	3 1/16	+¼
DI Inds		9	28	¾	¾	11/16	
Dicomfnc [illegible]		8	35	4½	4⅜	4½	+⅛
Duplex	0.48	23	80	11⅜	11	11¼	+⅜
DWG Corp		67	883	14¼	14	14¼	+¼
Eastn Co x	0.46	8	5	10⅛	10⅛	10⅛	-⅛
Eastgroup	1.52	28	33	17¼	16⅞	17	
Echo Bay	0.07	46	2177	4⅞	4⅝	4 11/16	
Ecol En A	0.24	11	454	12⅞	12¾	12⅞	+⅛
Edisto		0	222	⅜	⅜	⅜	+1/16
Engy Serv		3	484	1⅝	1 1/16	1⅛	+⅛
Fab Inds x	0.50	11	14	30⅛	29⅞	30	-⅛
Fea Ind A x	3.20	26	23	62⅜	61	61	-1⅞
FstCityBnc	0.20	9	4	7⅜	7⅜	7⅜	
Fluke (J)	0.52	14	64	32½	31⅞	32⅛	+⅞
Forest La		35	1681	u44⅞	44	44⅞	+⅞
Frequency		512	38	u6⅛	5	5⅛	
Fr oil com [illegible]		20	1226	46⅞	45⅝	46	+⅛
Giant FdA	0.68	18	865	21½	21⅛	21⅜	+⅜
Glatfltr	0.70	12	244	18⅛	17⅞	18⅛	
Goldfield		3	658	u11/16	⅝	11/16	
Greenman		5	212	6¼	5	5⅛	-1
Gulf Cda	0.34	4	1833	3⅝	3 7/16	3⅝	+¼
Hasbro	0.20	19	886	35⅝	35⅛	35⅝	-⅜
Health Ch		16	31	2⅛	2	2	
Healthvst		1	24	2	2	2	
Heico Cp	0.15	18	2	13½	13½	13½	-⅛
Hillhaven		5	3684	u3 11/16	3⅝	3⅝	-1/16
Horn&Hdt		1	604	2 13/16	2⅝	2⅞	-1/16
HmaslonA			313	u12⅛	11⅞	12⅛	+½
ICH Corp		5	623	4⅞	4⅝	4 11/16	
InstSysPf	0.24		z100	6⅛	6⅛	6⅛	
Int Mobile		10	711	6¼	6¼	6¼	
Intermagn		14	290	8⅞	8⅜	8⅜	-⅛
Intermark		0	80	⅛	d⅛	⅛	
IntTelchg		0	903	3/16	⅛	3/16	+1/16
Jan Bell		38	494	21½	21	21⅛	-⅜
Kinark Cp		8	86	6	6	6	+⅛
Kirby Exp		18	95	12¾	12½	12⅝	+⅛
Labarge		19	101	1⅝	1⅜	1⅜	
Laser Ind		29	820	u6¼	6	6¼	+¼
Lee Pharm		4	8	1⅞	1⅜	1⅜	
Lionel Cp		0	195	⅜	⅜	⅜	+1/16
Lumex Inc		18	83	15¼	15	15¼	+⅛
Lynch Cp		15	13	u24⅞	24½	24⅞	+⅜
Maier'ISc [illegible]		11	93	13½	13¼	13¼	
Maxxam		20	183	29½	28⅛	28½	
Media A	0.44	23	230	18⅝	18⅛	18⅛	-½
Mem Co		3	100	5⅛	5⅛	5⅛	
Moog A		6	75	5⅝	5⅜	5⅝	+⅛
MSR Expl		1	40	11/16	⅝	11/16	+1/16
Nat Ptnt		12	235	3 1/16	3	3	
New Line		29	31	13⅝	13⅛	13⅛	-¼
NY Times A x	0.56	70	636	27½	27¼	27⅜	-⅛
NthCanOil	0.17	52	48	9⅝	9¼	9⅝	+¼
Numac O&G		2	5	4⅜	4⅜	4⅜	-1/16
NV Ryan		0	361	⅜	½	⅜	+1/16
Odetics A		76	14	6⅛	6⅛	6⅛	-⅛
Olsten	0.32	30	743	u37⅛	35⅞	37⅛	+1⅜
Pegasus G	0.10	29	342	14⅛	13¾	14	+¼
Perini	0.80	17	15	17½	17⅜	17½	
Pet Hi&P	1.14	11	z100	16¼	16¾	16⅝	-⅛
Phil LD	0.25	14	183	35¾	35½	35½	-⅛
Pitney A	1.10	18	35	34⅜	34	34⅜	+⅜
Ply Gem	0.12	21	86	11	10¾	10⅞	
PMC	0.68	18	33	12⅛	12	12	
PresidioA	0.10	0	845	¼	¼	¼	
Price Com		0	94	3/16	3/16	3/16	
RB&W Cp		2	110	3	3	3	
RedelEnv		11	28	6⅞	6¾	6⅞	+⅛
SJW Corp	1.98	6	2	36½	35½	36⅛	
SbnUnion		46	4	15	15	15	
Sterl El	0.04	15	96	6⅛	6	6	
TIE Ind		18	522	2 1/16	2	2 1/16	+⅛
Tab Prods	0.40	40	3	12½	12¼	12½	+⅛
Tel&Data	0.32	49	217	38⅞	38⅜	38⅞	-¼
Thermedics		115	75	10⅜	10⅛	10⅜	+¼
Thermotrex		31	1074	33¾	33½	33¾	+⅜
Total Pet	0.40	14	320	5⅛	5	5	-⅛
TownCntry		0	51	2¼	2⅛	2⅛	-⅛
Tubos Mex		6	693	5⅝	5½	5½	+⅛
UtdFoodsA		4	50	1 11/16	1⅝	1⅝	-1/16
UtdFoodsB	0.20	5	29	2	2	2	
UnivPtnts		49	83	11⅝	10⅞	11⅝	+⅜
US Cellrl		95	z100	21⅞	21⅞	21⅞	
WangLab C		0	10	1⅝	1⅜	1⅜	
WangLab B		0	1973	½	7/16	7/16	
Weatherfd		112	132	5¾	5½	5⅝	-⅛
Westamer	0.52	10	z100	21⅞	21⅞	22⅛	
WIRET x	1.12	18	124	12⅞	12⅝	12¾	
Worthen	0.15	10	171	u27⅜	26⅝	26⅞	
Xytronix		7	122	8⅛	7⅝	8	-⅛

NASDAQ NATIONAL MARKET

4 pm close December 4

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		23	2847	21	20½	20⅞	
Xoma Corp		5	6769	12	11¼	11½	-¼
Yellow Fr	0.94	22	298	28⅞	28½	28¾	+⅛
York Rsch		7	1605	7⅛	6⅞	7⅛	+¼
ZionsUtah	1.44	11	257	70½	70½	71¼	-⅛

MONDAY INTERVIEW

Managing director at the Yard

Paul Condon, the incoming Metropolitan Police commissioner, speaks to **Alan Pike**

The new Metropolitan Police commissioner began his career as a constable on the beat in London's east end, where Dixon of Dock Green, that most nostalgic of television series, was set.

"I was never Dixon of Dock Green," he confesses. "We may not like to admit it, but he was just part of the mythology of 1950s and 1960s Britain."

Indeed, many realities of contemporary police life, both good and ill, were excluded from Dixon's world. His notebooks were never subjected to scientific analysis to see whether he had falsified evidence. Rioters on neglected housing estates did not firebomb him simply because he was a symbol of authority. Terrorism was not a daily feature of police work in his London.

But what concerns Paul Condon who takes over the most high-profile post in British policing in February, is the lingering impression that Dixon and his amiable pals at Dock Green police station could solve every crime, catch all the baddies and effortlessly keep the peace. The real police of Dixon's era never managed to do all that, and they cannot today. In Condon London is about to gain a police chief who will be very frank about that reality.

"The notion that a small number of police officers in the community can prevent crime is nonsense. I am not trying to sound complacent. What I am saying is that we must be absolutely clear about how we use our resources, and share with the public what we can do and how they can help."

Condon takes over at a particularly challenging time. The terrorist threat is again rife throughout mainland Britain, as the switch last week of the bombing campaign from London to Manchester showed. There is a recognised need for the police service to repair its image after a series of miscarriages of justice. Both the Royal Commission on Criminal Justice and the Sheehy inquiry into police pay and structure are due to report next year. These could lead to wide-ranging changes, from the way the police interviews suspects to the service's career structure.

Commissioners find themselves promoted into the role of national spokesmen for the police service on such issues, as well as having to run the Metropolitan force. And Condon is not only going to run the Met; he is going to change it. He has agreed with Kenneth Clarke, home secretary, that he will serve a relatively long initial term. "For an organisation of the Met's size to get through the sort of change process I want it to go through will take all of seven years."

The remark will send a shudder around the corridors of the Met's New Scotland Yard headquarters, where there are fears that Condon's top targets for change will be among the force's high command. Recent Audit Commission reports have suggested that the service is over-managed at senior levels, and in his present post as chief constable of Kent Condon has shown himself ready to tackle the problem.

At 45, he is the youngest of recent commissioners and, provided he has a supportive home secretary, has a good chance of pushing through substantial reform. Condon is one of the police service's new breed of fast-track, graduate chiefs. He joined the Met when he was 20, was selected for accelerated promotion and won a scholarship to St Peter's College, Oxford, where he took bachelor's and master's degrees in jurisprudence.

Condon is very much Clarke's personal choice for the commissioner's job. Although the home secretary is preparing his ground cautiously, he suspects there is substantial inefficiency waiting to be rooted-out of Britain's police service, and sees in Condon evidence of a likely ally in the cause.

Two aspects of Condon's previous career – the first as a teenager before he joined the police and currently at Kent – illustrate how he is likely to behave as an agent of change.

He left school at 16 and, until he was 20, worked for a small industrial publisher. The young recruit spent his last year there managing the company, responsible for between 40 and 50 employees. This sparked an awareness of management issues that has become a central feature of his style as a chief constable.

Screens in Kent police headquarters display information, updated every 10 minutes, on the force's state of activity and readiness. Condon talks of performance indicators, output measurements and devolved budgets. Occasionally – in language that would have seemed entirely foreign in Dock Green police station – he refers to Kent police as the business and himself as its chief executive rather than chief constable.

'I feel an obligation to rebuild our image'

"When I go to the Met I shall have an organisation of 44,000 people and a budget of £1.5bn. The disciplines involved in running a police force are not dissimilar to those of the private sector," Condon says.

He has engineered a three-stage managerial revolution during his three years at Kent. Stage one was to identify what he describes as the force's core business. Opinion surveys of the customers – the public – showed people wanted a fast emergency response; visible "bobbies-on-the-beat" policing and compassionate treatment for victims of crime and other misfortunes.

Stage two was to organise the force to deliver these core objectives, while stage three consists of rigorous monitoring to ensure that standards are being met. A team of headquarters staff spends all day telephoning victims of crime and other police customers, asking if they were satisfied with the service they received.

Condon's stage two is the cause of apprehension among some of his future colleagues at Scotland Yard. Kent's reformed delivery system is based on the devolution of all possible decision-making functions to local police stations.

People who run Kent stations, he says proudly, have more freedom than some chief constables. This was achieved, however, by eliminating an entire tier of divisional middle-management and through the early retirement of senior officers at chief superintendent level. "To take out a whole divisional command structure of very loyal colleagues who have given all their careers to policing, and to change the ground rules around them, is a painful process. Fortunately, the people involved saw why we were trying to change and were supportive."

Kent and the Met are not interchangeable forces however. The latter has semi-national responsibilities including the fight against terrorism and protection of the royal family and VIPs that require central co-ordination. But there is no doubt Condon will repeat his experiment in the devolution of responsibility for basic policing in London, and equally no doubt that the Met's command structure of high-ranking officers is in line for thinning out.

Colleagues say Condon, an opera lover and sports enthusiast who is married with three children, is a relatively private man. He recognises that the high media profile and public image of the commissioner's post will intrude on his family life, and acknowledges that there may be worse to come.

"I really mean this – I would not have felt a failure if I had ended my career without being Metropolitan Police commissioner. Having been given the enormous challenge of taking it on, I will do the job to my very best ability. In doing that, I know it will make me vulnerable to personal criticism. Any commissioner who tries to change things is vulnerable to dirty tricks campaigns, rumour and innuendo."

In spite of the bad publicity the police service has received in recent years, Condon is convinced that it has become a far better trained, better equipped, higher quality organisation since he joined it 25 years ago in the real Dock Green.

"One of the great tragedies is that as all these improvements have taken place the image of the service has dropped." This has arisen, he says, from more critical and questioning attitudes to public services in general; from the police having tried to do too much, failing miserably in some areas; and from miscarriages of justice such as those leading to the release of the Guildford Four and the Birmingham Six.

"I feel a tremendous obligation to try to build the image up again," he says. "We cannot stop crime, but if you are in trouble we can help you very quickly. You will see police officers on reassuring patrol. We will take care of you if you are a victim of crime. The new moral high ground for the police service is around these issues."

PERSONAL FILE

1947 Born in Dorset.
1967 Joins Metropolitan Police.
1972-75 St Peter's College, Oxford. Bachelor's and Master's degrees in jurisprudence.
1984 Assistant chief constable, Kent.
1987 Deputy assistant commissioner, Metropolitan Police.
1989 Chief constable of Kent.
1992 Appointed Metropolitan Police commissioner.

Just do it, Mr Clinton

MICHAEL PROWSE
on
AMERICA

The weeks before inauguration are a magical time for presidents-in-waiting. Like a student preparing for college, Mr Bill Clinton has been revelling in the opportunities lying ahead. On the economy, however, the time for tough decisions has arrived.

On Wednesday he is expected to name his economic team. Next week droves of economists, businessmen and policy-junkies will converge on Little Rock for a televised "economic summit". Shortly thereafter, Mr Clinton is expected to outline his strategy for economic renewal before starting lengthy negotiations with congressional leaders. The laudable aim is to have legislation ready for enactment soon after he assumes power in the new year.

Top congressional Democrats now seem likely to gain prominent economic posts in the Clinton administration. Mr Lloyd Bentsen, the Texan head of the Senate finance committee, is all but certain to become treasury secretary. Mr Leon Panatta, chairman of the House budget committee, is a strong contender for budget director. Such appointments would be a shrewd way of ensuring a smooth passage for delicate economic and social legislation: congressional leaders are far more likely to co-operate with respected former colleagues than with outsiders brought in from Wall Street or business.

But in the long run policies matter more than personalities. On economics, the big question is whether Mr Clinton can keep his eye on medium-term structural problems. A succession of respected bodies, including the Organisation for Economic Co-operation and Development and – in Washington – the Brookings Institution, have urged Mr Clinton to take tough action to raise the national savings rate, which fell to a disastrous 2.5 per cent of national income under the Republicans, compared with about 8 per cent in previous decades and an average of 10 per cent in other industrial countries.

Domestic savings and investment rates can diverge a lot in the short run. The link between investment and growth is equally obscure over short periods. But in the long run, a country that does not save or invest much cannot grow much. There is no escaping this fundamental logic. Nor can it be denied that a decade of huge budget deficits – negative saving by the public sector – has done more than anything else to erode US savings. Economic historians will judge Mr Clinton less on his pet projects, such as new student loan schemes, than on his success in restoring budgetary sanity in Washington.

Fortunately, the path toward budget retrenchment is being smoothed by signs that the economic recovery is taking firmer hold. On Friday, the Labour Department reported the fifth consecutive monthly decline in the unemployment rate – to 7.2 per cent, enviably low by European standards. Employment, factory overtime and the length of the average work-week all rose significantly, pointing to a solid increase in industrial production last month.

Friday's employment report followed a run of sparkling numbers. Consumer confidence, factory orders, retail sales, leading indicators, the Purchasing Managers' Index, money supply growth and bank lending are all rising, in some cases substantially. Revised figures for the third quarter showed the economy expanding at an annual rate of 3.9 per cent, by far the best result since the Reagan years.

On close inspection, most of these numbers are overstating the economy's strength. Most of the fall in unemployment since June, for example, reflects a shrinking workforce; job gains, so far, are tiny. Consumer confidence usually rebounds after elections and is still far below levels normal for a vigorous recovery. The rise in factory orders was concentrated in volatile sectors such as defence and transport. Consumption has been temporarily lifted by a decline in the personal savings rate from already low levels. Export figures do not yet reflect declining demand in Japan and Europe.

Yet the fact remains that the US is enjoying its seventh straight quarter of growth, in stark contrast to the experience of most other countries. The economy is expanding at an underlying rate of about 2 per cent and seems more likely to gather momentum than to relapse into another semi-recession. Much of Mr Clinton's campaign rhetoric is thus out-of-date. The case for a short-term fiscal stimulus to "grow" the economy was always weak; anything more than a symbolic package would now be irresponsible.

Mr Clinton's original plan was to match spending increases (on education and infrastructure) with tax increases and spending cuts, thus allowing the deficit to decline a little as economic growth picked up. With the economy strengthening of its own accord, this now looks insufficiently ambitious. Coming into office as a business cycle upswing gets under way, Mr Clinton should seize a golden opportunity to raise the national savings rate sharply by progressively cutting the deficit to zero. As the OECD and others have pointed out, this does not require an exceptional effort, merely fiscal measures commonplace in other countries, such as realistic controls on healthcare costs, a scaling back of "middle class" welfare benefits and modest increases in energy and consumption taxes.

Last chance for Maastricht

IAN DAVIDSON
on
EUROPE

In the run-up to this week's European summit at Edinburgh, we are faced with one absolute certainty, and one high probability. The certainty is that everything hangs on the Danish problem. The probability is that, by Saturday night, the Maastricht Treaty of European Union will be dead or dying.

Everything hangs on the Danish problem because, unless it is solved, nothing else can be. Ratification of the Maastricht treaty is the necessary condition for the Community to move ahead on all other fronts. Unless there is an agreement enabling the Danes to reverse their No vote of last June, there cannot be an agreement on a new multi-annual budget package, there cannot be an agreement on subsidiarity and transparency, and there cannot be an agreement on the admission of new members to the Community.

This morning, nobody has the faintest idea whether there will be an agreement in Edinburgh on the Danish problem, but the omens look poor. The British government has put forward an ingenious draft, which would give Denmark various forms of opt-out from the Maastricht treaty, but British officials do not sound very confident that it will be the basis of a deal. "If there is an agreement," said one UK diplomat last week, "we shall not get it until Edinburgh, and probably not until late on Saturday evening." That means in plain English that the British expect a long struggle which is likely to drag the summit several hours into overtime.

From a formal point of view, it is a cunning text, because it meets the Danish request for a document which would be "legally binding", without making any formal changes to the treaty. The trouble is in the substance, however: it may not go as far as the Danes would like, but it goes much too far for some of the other member states. Indeed, it has already been denounced by five Christian Democrat governments for voiding the treaty of much of its substance.

The heart of their objection, is the new and much strengthened Danish opt-out from economic and monetary union. In the Maastricht treaty, the Danes already have a protocol which would allow them to decide, at the appropriate moment, that they did not wish to enter the final stage of Emu, with full monetary union and a single currency. Under the British draft proposal, Denmark would take that negative decision right now, without waiting for 1999 or whenever.

Community lawyers have apparently ruled that this twist is consistent with Maastricht as it stands. The treaty allows Denmark to notify its partners that it will not go into stage three of Emu; but since it does not specify when such a notification should be made, there is no reason why the Danes should not make it today.

This may satisfy the lawyers; any ordinary person can see immediately that it is just legal sophistry. It is one thing to concede that, at some future date, taking one thing with another,, in the circumstances of the time, and politics being what they are, the Danish government and parliament of the day may not be able to accept a single currency. It is quite different for the Danish government to reach that decision even before the treaty has been ratified. This isn't an opt-out, this is a carve-up; in spirit it is a rewriting of the treaty.

Here we are getting close to the heart of the problem: does Denmark subscribe to the general objectives of the Maastricht treaty or not? The central characteristic of the treaty is that it is a compendium of programmes for future action: Emu, foreign policy and defence, immigration and justice, and so on. If Denmark can denounce one of the primary objectives of the treaty even before it comes into force, Maastricht will look like a meaningless scrap of paper.

Actually, if the truth be told, most of the other member states do not care too much about Denmark. As a senior diplomat from the Benelux said last week: "The problem is not Denmark; the problem is Britain." If Denmark can set such a damaging precedent, Britain may stampede through the gap; and Britain makes a real difference to the political viability of the Community.

Cynics say the Maastricht treaty has in any case been discredited by events. But they do not have any alternative solutions. Monetary union is a logical response to a single market with free capital movements and an exchange rate mechanism. It is obviously very ambitious; but do the cynics believe that the problem will simply go away; or do they imagine that France, Germany and the Benelux will instead vote to disband the European Monetary System? If the Eurosceptics defeat the Maastricht treaty (and they may), they will not prevent an inner core of committed countries from seeking alternative routes to a more integrated Europe.

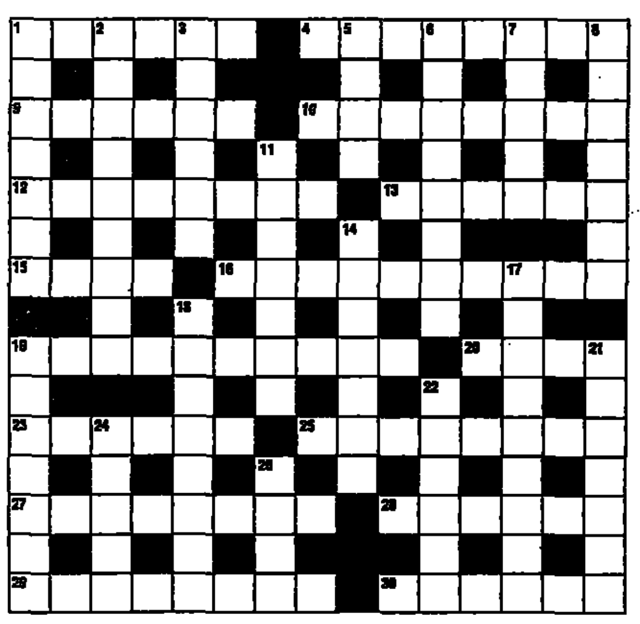
Throughout its presidency, the British government has done its best to turn the Community in the direction of an inter-governmental free-trade area. The attempt has failed – so far. But the Danish protocol looks like the last throw for the same stakes.

If the British draft for the Danish problem is accepted by the other 10 member states, we shall know that they have virtually consigned the Maastricht treaty to the waste paper basket. If it is not accepted by the 10, the odds will rise sharply against Danish ratification. In either event, the situation will start to become clearer, and those who want to go ahead, will go ahead.

JOTTER PAD

CROSSWORD

No.8,022 Set by DANTE



ACROSS

1 Loosened bosses' grip (6)
4 It has a stirring part to play (8)
9 It's a strange leader who won't lead (6)
10 Man out in storm reaching peak (8)
12 What peace-makers try to do is put at risk (8)
13 Assembling a steel plant (6)
15 Go for a short walk (4)
16 Soccer wars erupt, and they're frightening (10)
19 Break off an engagement? (10)
20 Stage favourite's come-back (4)
23 He looks as though he hasn't washed the back of the neck (6)
25 Firm clue for "compassionate" (8)
27 Pardons a sailor's turbulent loves (8)
28 New rise goes to artist – a sharp rise (6)
29 From which computer-operators make withdrawals? (4,4)
30 Strict clergyman has a set-back in the diocese (6)

DOWN

1 A part that can't be matched (7)
2 Flags that purists do not want to see lowered (9)
3 Woolly lots of wild geese (6)
5 School of rising reputation (4)
6 In so many words, go to jail! (8)
7 Not rounds used in an erratic salvo (5)
8 Puzzle that's nothing if not negative (7)
11 Cancel order to sift cinders (7)
14 Sporting jumper (7)
17 Not straight – future too unsettled (3,2,4)
18 Possibly a wood building, of course (4,4)
19 He's afraid to take the lead when father is around (7)
21 Convict surrounded by a stack of booty (7)
22 The voice of the doer (6)
24 With revision tries to take the examination again (5)
26 Near the middle (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 19.